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# FINANCIAL TIMES

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## NEWS SUMMARY

GENERAL BUSINESS

### Uganda troops 'face attack'

Tanzania said last night that it had launched a major offensive against Ugandan troops which have invaded its territory. The move came after the Tanzanians failed to cross the Kagera river, when, according to the Ugandans, their boats were destroyed.

In Rhodesia, black nationalists guerrillas attacked a house eight miles from the centre of Salisbury, the first raid within the city's boundaries. An elderly woman was seriously wounded.

**Gaullist move**  
The Gaullist RPR Party, largest member of the ruling French coalition, has called on the EEC heads of government to make clear that they are directly-elected European Parliament will not be given additional powers. Back Page

Sir Henry Plumb, president of the National Farmers' Union, is expected to announce on Thursday that he is giving up the post to seek a Tory nomination for the European Parliament.

### Vauxhall workers agree pay deal

VAUXHALL engineering workers at Ellesmere Port have agreed to an 8.5 per cent pay offer made to the company's 26,000 manual workers. However, a strike by 900 skilled workers over differentials is due to begin today, with a further 3,500 men at Luton and Dunstable deciding whether to join them.

Strikers at the Austin-Morris Dursley plant in Birmingham, who have caused 20,000 workers to be laid off, are expected to meet this week. Ford has 25 plants idle with 57,000 non-laid off but no talks planned as the strike enters its seventh week. Page 38

HEATING and ventilation engineers have won a "special case" wage increase of 30 per cent, of which 16 per cent is payable now and the rest in August. Page 38

BRISTOL registered dockers have submitted a pay claim of over 15 per cent, in line with dock workers at Hull and Southampton. The Bristol dockers' package includes a demand for a 35-hour week. Page 38

## UK to claim present monetary system scheme unworkable

BY SAMUEL BRITTAN and PETER RIDDELL

The Government will justify its almost certain decision not to join the proposed European Monetary System on the grounds that the scheme is at present in an incomplete and unworkable state.

The Prime Minister is expected to base his statement to other EEC Heads of Government at their summit meeting in Brussels in three weeks' time on the following points:

1—The studies started after the Bremen Summit in July have not yet succeeded in resolving all the technical and economic problems.

The scheme likely to be agreed is too similar to the present European joint debt, the Snake, to be durable, in view of the economic differences in the EEC.

The system will be in a complete and workable state only when a concerted strategy for economic convergence and a balance of resource transfers in the Community have been agreed.

2—The studies on the proposals should continue next year, when they have reached a successful conclusion the UK will be ready to join. The timing will also depend on when the UK's economic performance, especially its inflation rate, shows signs of a sustained convergence with the rest of the EEC.

3—Britain will not seek to hold up the start of the system, even though at present it amounts to an enlarged Snake. This reflects a recognition of Franco-German determination to press ahead in early 1979.

These points have been made plain by both the Prime Minister and by Mr. Denis Healey, the Chancellor, during the current series of intensive talks with both likely participants such as West Germany and France and with wavering states like Italy and Ireland.

The likely British decision to stay out has created difficulties for both Italy and Ireland.

In particular, there has been some irritation on the Continent about the apparent British hostility to proposals for an optional 4.5 per cent band for currencies outside the present band, in addition to the 2.25 per cent central band.

This idea was proposed by Italy and accepted in a modified form by France and Germany.

The Italian Government's attitude has been moving against participation in recent days in spite of the previous strong support in principle of Sig. Emilio Andreotti the Premier.

There have been growing technical reservations, and concern that if the UK does not join the

## IATA chief's warning to U.S.

By Michael Donne, Aerospace Correspondent

GENEVA, Nov. 12. A BIG confrontation is likely between the world's airlines and the U.S. Government, if the U.S. pursues its present "uncompromising free trade" policy, according to reports reaching here today.

This warning is given by Mr. Knut Hammarskjold, director-general of the International Air Transport Association. In his annual report on the state of the world air transport industry, he is presented to the annual meeting of the association in Geneva tomorrow.

Mr. Hammarskjold's views have been given added point by the resignation from IATA of Delta Air Lines of the U.S., the third largest airline in the Western world, which could be followed by similar decisions by other big U.S. airlines.

Delta's decision stemmed from its belief that IATA now has a "reduced effectiveness" in view of changing world market conditions, especially where fixing fares is concerned.

Mr. Hammarskjold tells the 108 member-airlines that the "sweeping wind of change" in the U.S. has already resulted in greater competition and cheaper fares on domestic routes there.

The U.S. was now trying to extend this policy into the international marketplace, even where conditions were not ripe for it, with the result that there could be "confusion and confrontation" with the airlines, resulting in long-term damage to the air transport system.

## Iran oilfields strike may end shortly

BY ANDREW WHITLEY TEHRAN, Nov. 12.

THE STRIKE in Iran's oilfields, which has seriously hampered production for the past 12 days appears to be crumbling, according to reports reaching here today.

The reports will give heart to the new military Government which has been trying to restore normalcy to Iran after a month of rioting and strikes. Diplomats in Tehran have confirmed predictions by the State-run National Iranian Oil Company that key oil production workers would start returning to work today.

None the less, there have also been reports of violent clashes between militant strikers and troops which suggests that there is still a considerable way to go before normal production is assured. Senior industry officials in Ahwaz were also reported as saying that "only a handful" of workers had reported for work early today, despite the military Government's 7 a.m. deadline for ending the strike.

The National Iranian Oil Company set the back-to-work deadline three days ago, warning strikers that they faced dismissal and arrest. The company, speaking for the new military Government, also said that strikers living in company houses would be evicted with their families.

There were no immediate reports of arrests or evictions in Ahwaz, which is at the centre of the southern oilfields. But despite the trickle of returning workers, a report by the official news agency, PARS, that all staff and labourers in Ahwaz had returned seemed premature.

Production does appear to be on the increase again, however, with yesterday's output said to be 2.3m barrels and three supertankers loading at the main export terminal of Kharg Island. At its worst the four-week-old strike reduced production to only one sixth of normal levels.

Another important sign of a return to normalcy was the ending today of a 16-day stoppage by the State airlines, which grounded all its domestic and international flights. Tehran Airport officials say it will be some days before operations are completely back to normal but on the first day back there were over 20 domestic flights.

Large areas of Tehran, however, were today marked out temporarily by striking electricity workers, acting in response to a call by the main political opposition group, the National Front, to continue industrial action as part of the campaign against the Shah's regime.

The important bazaar area was also closed today, presumably as a mark of protest against the arrest last night of Dr. Karim Sanjabi, the National Front's leader. Dr. Sanjabi was arrested by an army general at his home in Tehran, shortly before a Press conference to give details of an understanding reached between the Front and the so-called religious leader, Ayatollah Khomeini, in Paris.

In his statement which was to have been delivered yesterday, Dr. Sanjabi stated categorically that the opposition movement would not participate in any form of "one-man" strike under the "illegal monarch".

In Paris, the National Front claimed today that at least 12 people died in Saturday's general strike. It is a commonplace, the Front said, that eight people were killed in Sabzevar, near Ahwaz, and one at Mahabad.

Military chiefs face deadlock. Page 2

### Exchange control review

BRITAIN'S remaining exchange controls with the rest of the Common Market are to be reviewed later this month, it is understood. The Treasury and EEC Commission officials, but few relaxations are considered likely. Last week, however, changes have led to an estimated 124m outflow on capital account this year. Back Page

### SNP chief quits

Mr. William Wolfe, Scottish National Party chairman, is to resign after 11 years, but will accept nomination as party president. He said his decision had nothing to do with the party's vote against the Government on the Queen's Speech, against the wishes of its executive.

### Indira arrives

Demonstrators and supporters of Indira Gandhi, the former Indian Prime Minister, failed to catch a glimpse of her at Heathrow, arrived for an eight-day visit. Her car, under heavy police escort, was driven through a cargo tunnel. Asked whether she planned a political comeback, Mrs. Gandhi replied: "Come back? I have never gone."

### Benefits go up

Old age and widows' pensions, sickness and unemployment benefits, and all other social security benefits go up from today when the annual revaluation of benefit levels comes into operation. Page 4

### Ward wins prize

Mr. George Ward, managing director of Grunwick, the film-processing company which was the scene of a two-year dispute, has won a 5000 Rona McWhirter award, given for the exercise of personal initiative and leadership.

### Missing out

Miss Tunisia may be dropped from Thursday's Miss World contest after she failed to appear in tea-shirt and shorts for parade at London's Waldorf Hotel. Malak Nemlaghi said she was told: "Take off your yashmak or you are finished."

### Briefly...

This year's Beaujolais, available from Wednesday, is excellent, according to French Premier Raymond Barre. Stocks are expected to be plentiful.

Mothers and babies were rescued when fire broke out near the maternity wing of St. Peter's Hospital, Chertsey, Surrey.

Police are investigating a barn fire which caused £1,200-worth of damage at Galscombe Park Farm, Princess Anne's estate near Stroud, Glos.

## Pay explosion could mean spending cuts, says Healey

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. DENIS HEALEY, the Chancellor, said yesterday that there would have to be further fiscal and monetary measures, including a rise in taxes or a cut in public expenditure, or both, if there was a runaway wage explosion.

However, Mr. Healey said he did not think there was any sign whatever of a return to the "catastrophic" explosion in pay of three years ago because companies now simply did not have the money they had then.

He made it clear that "to the extent we control the budget and money supply, excessive wage increases would inevitably lead not just to higher prices but higher unemployment, as well as fiscal and monetary measures."

He refused to be drawn as to when such action might be taken.

He also said that the Chancellor's words effectively amount to a warning, however, and so significantly further than his low-key speech to the Commons last Thursday.

They come on the eve of a special meeting of the TUC General Council tomorrow to discuss the result of the lengthy talks between Ministers and TUC leaders.

These ended on Friday and are expected to lead to a joint declaration on fighting inflation.

Mr. Healey refused to abandon hope of achieving a 7 per cent rise in earnings in the current year.

"Don't forget that the companies which appear to be likely to break the guidelines this year are precisely the ones which did last year, that is to say, British Oxygen. We haven't had as many breaches of the policy this year as we had last year but 'just' describing the laws of arithmetic."

Mr. Healey said excessive wage increases would generate price rises which would be damaging to the whole country.

"I would have to bring the rate of interest up to bring the money market back to its normal level."

Mr. Healey also went further than last Thursday in explaining the 21 points rise in Minimum Lending Rate to 12 1/2 per cent.

Apart from the recent increase in market rates he also pointed to "evidence, in the last month or two, that the banks have been lending a bit more money to people in the country than is compatible with keeping the money supply under control and keeping inflation down."

### Overdrafts

The clearing banks will see how the level of short-term interest rates settles down early this week before deciding whether to lift their overdraft rates again, following the rise in their base lending rates from 10 to 11 1/2 per cent early this month.

### Price rises

In an interview with the London Weekend Television programme Weekend World, Mr. Healey said he was not threatening or even warning of a "just" describing the laws of arithmetic.

### Del's successor likely to take harder line on worker directors

BY ELINOR GOODMAN, LOBBY STAFF

THE REPLACEMENT of Mr. Edmund Dell by Mr. John Smith as Trade Secretary may mean that industry receives a somewhat less sympathetic hearing in Whitehall when arguing against the Government's proposed legislation on industrial democracy.

Both men occupy roughly the same position at the centre of the Labour Party.

Mr. Smith, however, is far more political than Mr. Dell, who is to rejoin the Guinness Peat Group where he will eventually succeed Lord Kissin as chairman.

Mr. Smith may be more likely to see the political dangers of being too closely identified with the Confederation of British Industry than Mr. Dell, whose disenchantment with political infighting has been obvious almost since he became an MP in 1964.

At a private meeting last week between Mr. Albert Booth, the Employment Secretary, and Mr. Dell, the central question of whether or not worker directors should be restricted to union representatives was left open.

Legislation on industrial democracy was promised in the Queen's Speech. While, even then, it was some scepticism about whether rank.

The Prime Minister really expects to get such legislation through the House of Commons, and his on the statute book before an election, a Bill is expected before Easter. This means that the question of who is eligible for election to the Board will have to be solved shortly.

As the Minister responsible for guiding the Government's devolution legislation through the House, Mr. Smith already has considerable experience of dealing with contentious legislation. His success with the devolution Bill has no doubt contributed to his swift rise to Cabinet rank.

At 40, he becomes the youngest member of the Cabinet, and his appointment cements his reputation as one of the party's brightest young MPs.

His appointment, along with that of Mr. Tom Pendergast, as an

### Idealism

The objectives of the new American negotiating policy—which appear as a blend of liberal idealism and commercial pragmatism—had been formally set out during 1978.

They involved international deregulation in air transport, increased competition, more scope for charter flights, no restraints on the number of seats offered, and minimum Government involvement in setting fares.

In addition, it was possible that the U.S. would seek to impose its anti-trust laws on the world's airlines by claiming that their membership of IATA's fare-fixing conferences were contrary to the public interest.

The U.S. Civil Aeronautics Board had already issued a "show cause" order, finding that the IATA traffic conferences were no longer in the public interest and should no longer be approved by the board. IATA and other interested parties had been directed to show by December 20 why the board should not be dissolved.

Continued on Back Page Editorial comment, Page 12

## Dunlop Speke plant jobs in jeopardy

BY OUR INDUSTRIAL STAFF

DUNLOP is understood to be ready to close its plant at Speke on Merseyside, where 2,400 are employed, as part of a major rationalisation of its tyre production in the UK.

The move comes only six weeks after the group reported that its British, Irish and German tyre companies all made losses in the first half of 1978. Only the French tyre operations made a small profit.

The downturn in the tyre division accounted for all the £10m fall to £22m in Dunlop's profits in the half-year. Dunlop blamed overcapacity in the European tyre industry and cheap East European imports, "priced at levels which could barely cover manufacturing costs."

The outlook for the tyre business—accounting for about half of Dunlop's capital employed but only around one-sixth of profits—remains bleak.

Dunlop employs around 11,000 in its tyre operations in the UK—more than half of them at the Port Sunlight in Birkenhead—and 23 per cent of the workforce. The other plants are at Thurston in Scotland, Washington in the North-East, and Soledad.

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## OVERSEAS NEWS

## Kenyan President in Paris

By David White

PARIS, Nov. 12. President Daniel arap Moi of Kenya tomorrow begins three days of talks with French Government and business leaders. The visit (President Moi's first trip abroad since taking office early last month) is being given considerable importance by French officials, who expect talks to focus on the problems of the Horn of Africa. President Valéry Giscard d'Estaing's proposal for a seven-nation conference on the region and on France's military role in her former colony of Djibouti.

The visit is the first one to France by a Kenyan Head of State and President Moi will meet President Giscard on Tuesday. Tomorrow he will have talks with M. Louis de Guiringaud, the Foreign Minister, and M. Yvon Bourges, Defence Minister.

Events in southern Africa and peace prospects in the Middle East are also likely to figure in the talks, as are ways of increasing trade links between the two countries. Kenya has recently bought French radio equipment and ground-to-ground anti-tank missiles.

France's proposal for a Horn of Africa conference, which would include Kenya, has already been put to the Presidents of Somalia and Ethiopia. President Moi is due to continue his trip to Brussels, for talks with EEC leaders, on Thursday, and to London at the end of the week.

His visit to Paris follows closely that of General Félix Maloum, President of Chad, where renewed fighting has been reported between French-backed Government troops and guerrillas of the Libyan-armed National Liberation Front (Frolinat).

Four French soldiers were reported wounded in a clash in the Abchee region last weekend. Earlier this year, France sent heavy reinforcements of paratroopers, legionnaires and fighter aircraft to back up its team of military advisers, bringing the total French force in the country to about 1,500 men.

President Maloum's talks with M. Giscard d'Estaing on Friday took place against a background of tension between the Chad leader and M. Hissène Habré, a former guerrilla recently appointed Prime Minister in an attempt to reach a reconciliation with the mainly Arab rebels.

## WHITE FARMERS IN ZAMBIA

## Threat to stop crop planting

BY MICHAEL HOLMAN

ANGRY WHITE farmers today threatened to stop crop planting unless the Zimbabwe African People's Union (ZAPU) guerrillas were removed from Zambia's commercial farming areas.

Sixty farmers and their wives met at the Ngwerekere Club, near Lusaka, to protest at yesterday's abduction and beating—allegedly by ZAPU guerrillas—of one of their number. It was the latest of a number of incidents in which farmers have been molested or harassed by guerrillas or Lusaka street mobs. In one case a leading farmer was allegedly assaulted by members of the Zambian Army when visiting the city's industrial area.

Representatives of the farmers hope to meet President Kaunda for a second time in a week to pass on the threat and request increased protection.

A few observers believe either that the 30,000 ZAPU guerrillas will be moved, or that the farmers will carry out their threat. But the disruption to farm life caused by assaults and threats and the possibility of white emigration could seriously affect agricultural output in Zambia.

There are 300 commercial farmers (mainly white) in the country. Despite a fall in their number from 1,200 at independence in 1964, they account for 60 per cent of marketed agricultural production, including a third of the country's maize crop, which provides the staple diet for the 5.6m Zambians.

Recent Rhodesian bombing raids on ZAPU installations, hard for the military Government to hand over to civilians.

The Shah is reported to be deeply disappointed with the results of the talks in Paris between Dr. Karim Sanjabi, leader of the opposition National Front, and the exiled religious leader, Ayatollah Ruhollah Khomeini.

The Shah had hoped that Dr. Sanjabi would have manoeuvred himself sufficiently away from the Ayatollah's implacable opposition to open up the possibility of a peaceful settlement.

Nevertheless there is a growing feeling within the Government that the country is on the brink of a political impasse which will make it increasingly

accompanied by rumours that Rhodesian "agents" are now operating in disguise in and around Lusaka, has led to considerable tension. In the wake of the raids more guerrillas are carrying arms in public, as well as setting up unauthorised road blocks in farming areas around Lusaka and on the road south.

Today's gathering at the club, which provides bowls, squash, tennis and cricket for local farmers, bore a bizarre resemblance to a meeting of farmers

in Rhodesia. Angry men complained bitterly about "terrorists" and "thugs" and demanded increased protection from the police and army.

The farmers pulled no punches. "If they (ZAPU) take over Zimbabwe now, God help Zimbabwe because they are a bunch of bloody thugs," one declared. "Who is going to be the next President of this country—(ZAPU leader) Nkomo or President Kaunda?" asked another, while a third threatened

to burn his farm "to the ground" before emigrating, unless something was done. Citing cases in which Zambians had been assaulted, the chairman pointed out: "It's not only you that's been hit, it's the Zambians as well."

In a separate development it was claimed today that guerrillas caught in the Rhodesian strike against Mr. Joshua Nkomo's training camp last month believe they were "set up" for the attack by Mr. Nkomo himself.

A nationalist informer, recently returned from Zambia, was quoted by the Rhodesian Sunday Mail as saying that the camp was staffed with dissidents who wanted to support the transitional Government and by followers of the murdered former Zipra military commander, Nikita Mangena.

Meanwhile, in a further move towards increased economic co-operation in the region, President Kaunda, President Neto of Angola, and President Mobutu of Zaïre, will meet in Lusaka next week-end to discuss economic issues.

Presidents Mobutu and Neto held talks in Angola last month to consolidate the rapprochement between their two countries, which includes the re-opening of the Benguela Railway to the Angolan port of Lobito. The line, which until its closure in 1976 served Zambia's copper mines, reopened last week.

Diplomats here say that President Kaunda has taken a quiet but significant part in improving the relationship between Angola and Zaïre, which reached its lowest ebb during the invasion of copper-rich Shaba province by Angola-based rebels in May.

Political sources here expect the transitional Government to agree at the meeting on a new timetable for majority rule which will push back the date by at least three months.

It is believed that the Shah has been examining carefully all possible ways of bridging the gap between military rule and the free election he has promised by the end of next June. But he is

determined not to step down and is of the view that to hand over power to a Regency Council for the two years until Crown Prince Reza reaches majority would be tantamount to opening the way to complete military rule and thereafter to chronic instability, as successive juntas fought for power.

Meanwhile with the National Front excluded from a transitional Government of comparable standing have become themselves unacceptable. The only possible exception is the Right-wing Pan-Iranists, a small opposition break-away faction in Parliament.

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NGWERERE, Nov. 12.

## Ugandans 'repulse' Tanzanian assault

Tanzanian artillery shelled Uganda positions across the Kagera River yesterday after Tanzanian units in pontoon boats failed to make the river crossing on Friday, John Worrall reports from Nairobi.

President Amin's British-born adviser, Major Bob Astles, who was in Nairobi during the weekend, said the Tanzanian pontoon boats were destroyed and many soldiers trying to reach the river bank were eaten by crocodiles. The troops were trying to recapture land seized by Uganda two weeks ago.

Amin has said he will withdraw from Tanzanian territory—he occupies 400 square miles of the River Kagera—if Nyerere pledges never to invade Uganda again and withdraws support from Uganda exiles in Tanzania.

## China drought

China said yesterday it had beaten the country's worst drought in a century and brought in a bigger harvest than last year. The New China News Agency, quoted by Reuters, said the drought-affected areas had received 100mm (4in) of rain in the past 10 days.

The Yangtze, Huai, Yellow and Haiho rivers, but tens of millions of people fought nature and food got in a bigger harvest this year than last year in grain, cotton, oil bearing crops, sugar cane and sugar beet, tobacco, and tea, the agency said.

## Petrol rush

French motorists rushed to fill petrol tanks on Sunday in preparation for a week of strikes by garage owners, Reuters reports. The strikes have been planned in protest at Government measures allowing filling stations to cut pump prices by up to 12 cents per litre (about 12 cents per gallon).

## Italian shooting

A man shot and seriously wounded by Italian police has been identified as the brother of a suspect sought in connection with the 1977-78 murder of former Prime Minister Aldo Moro, according to Reuters. Paolo Ceriani Sebregondi, 31, was hit in the body yesterday while trying to flee from police who stopped him south of Rome, while at the wheel of a stolen car.

## Irish growth review

The first serious prediction that the two-year Irish economic boom may be coming to an end is contained in the quarterly review of the economy by the management consultants, Coopers & Lybrand, which predicts that growth rate could fall to below 4 per cent next year—less than the OECD average. One Dublin correspondent writes: "For two years the Republic has led the EEC growth rate table and this year growth rate is estimated at between 6.5 and 7 per cent. But the review believes that consumer spending, which has fuelled much of the boom is about to fatten out."

It assumes that the Government will have to increase taxes and subsidies, as part of its strategy for reducing Ireland's high borrowing requirement.

## Ship stranded

Malaysian police yesterday prevented a United Nations official from taking food and medical supplies to 2,500 Vietnamese stranded abroad a tiny freighter off the West Malaysian coast. Reuters reports Malaysian authorities have refused permission for the 1,580 ton Hai Hong to dock at Port Klang because it is suspected that the Vietnamese are genuine refugees but migrants who paid huge sums in gold for their passage.

## Polish parade

Around 15,000 people attended a service in Warsaw's St. John's Cathedral at the weekend, held to mark the 60th anniversary of Poland's independence in 1918, Christopher Golembiowski reports. After the service, over 2,000 people took part in an unprecedented march, unhindered by police, down one of Warsaw's main streets to the tomb of the unknown soldier where wreaths were laid and the national anthem sung.

## Basque bombs

The Basque separatist guerrilla group ETA has claimed responsibility for a rash of weekend bomb explosions in Spain's northern region. The claim was made in a telephone call to a Bilbao newspaper, according to Reuters. Six bombs exploded in the Basque region on Friday night outside Government ministries only hours after hundreds of thousands of Spaniards had demonstrated against guerrilla violence.

## Japan-Hungary talks

The Japanese Foreign Minister, Mr. Sunao Sonoda held talks with his Hungarian counterpart, Mr. György Puda, on bilateral relations and economic co-operation, according to the Hungarian News Agency MTI. Reuters reports from Budapest, Japan is expanding its economic relations with Eastern Europe this year. A Japanese trade delegation visited Hungary and Czechoslovakia last March, and Mr. Sonoda is due to leave tomorrow for an official visit to Prague.

## Tito remembers

President Tito returned to the southwestern Yugoslav town of Jablanica on Sunday where 35 years ago he led his partisan army in a historic battle which entered military textbooks as an example of his strategic skill. Dressed in his pale blue Marshal's uniform, the 68-year-old President unveiled an impressive monument on Mt. Makljen, overlooking the Neretva river, where in 1943 his 30,000 troops, protecting 4,000 wounded, were encircled by 90,000 men, Reuters reports.

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## U.S. land move likely to raise price of grain

BY DAVID BUCHAN

WASHINGTON, Nov. 12.

IN A move that will raise grain prices, President Carter has decided on a modest increase in the amount of land the U.S. 1979 programme, grain farmers will be paid to keep up to 30 per cent of their land out of production next year.

Food prices have set the pace in the U.S. inflation rate this year, yet have been specifically exempted from being monitored under the price guidelines of the President's counterinflation programme. Nonetheless, Administration officials claim the President's decision on the 1979 "set-aside" programme—announced yesterday along with his vetoes of the three Congressional Bills on inflation—will raise food grain prices by no more than 2.5 per cent over the next two years.

The inflationary impact of the "set-aside" programme will, it is claimed, be blunted because the Government will pay corn crop and increased world stocks of feed grains. Last week the Agriculture Department forecast a corn crop this year of 8.89bn bushels, compared to 8.37bn bushels last year.

President Carter has been under some political pressure to expand the set-aside programme, which supports or raises prices by restricting supply, from a vociferous farm lobby that has been calling for Government payments to let up to 30 per cent of arable land go fallow. Under the amount of land the U.S. 1979 programme, grain farmers will be paid to keep up to 30 per cent of their land out of production next year.

Mr. Carter has vetoed a meat import bill, which would have limited exports in any one year to 1.2bn pounds weight. The President said so on the grounds that this bill took away his scope to let more beef in in times of domestic shortage and so to keep prices down.

Another Congressional bill that the President has now moved to veto is one that would have prevented the Administration from offering any tariff cuts on textiles and other rounds of the multilateral GATT trade talks to Geneva. A veto of this bill, which had been pushed through Congress by the textile protectionist lobby, was widely expected because the multilateral round aimed at might lead other countries, notably the European Community, to refuse other tariff concessions to the U.S. in retaliation, and so sabotage the whole negotiations.

In killing the textile bill, the President said the success of the GATT trade negotiations was vital to relieving inflation.

## Mulder succession battle

BY QUENTIN PEEL

JOHANNESBURG, Nov. 12.

A BITTER and divisive struggle is expected within South Africa's ruling National Party (NP) following the resignation of Dr. Connie Mulder, the Minister of the party in the Transvaal province.

Political observers believe that the election of his successor (scheduled for November 29) is likely to centre on the division between the Verligte (enlightened) and Verkrampte (reactionary) wings of the party, in spite of a widespread desire to close ranks in the wake of the scandal over the secret operations of the former Department of Information.

The latest election in the National Party comes only two months after the contest to succeed Mr. John Vorster as Prime Minister.

Four candidates are in the contest to succeed Dr. Mulder: Mr. S. P. Fanie, Botha's Minister of Labour and Mr. Hendrik Schoeman, the Minister of Agriculture. Both have announced that they are available and are seen as the favourites. Both, however, are seen as moderates in the party.

National Party officials see Mr. Jimmy Kruger, the Minister of Police, as the most likely candidate to attract Dr. Mulder's staunchest and most conservative supporters. The dark horse is Dr. Andries Treurnicht, the leading ideologist of the NP Right-wing, but only a deputy Minister in the Government. His chances are thought to be good if Mr. Kruger does not stand.

So far, Dr. Treurnicht has not allowed his name to be put forward for the election. Nor has Mr. P. K. Botha, the Foreign Minister, and the most popular figure in the Government.

## Israel rejects Cairo plan

BY L. DANIEL

JERUSALEM, Nov. 12.

THE ISRAELI GOVERNMENT, meeting without the participation of five leading Ministers, today rejected the new Egyptian proposals brought back to Washington from Cairo by the Egyptian delegation.

The Cabinet passed a resolution to this effect after hearing a report on the latest developments from the Deputy Premier, Mr. Yigael Yadin. The Cabinet Secretary said after the session that the scheduled meeting between the two sides would be postponed.

Before the scheduled meeting tonight in New York between the U.S. Secretary of State, Mr. Cyrus Vance and Premier Menachem Begin, Foreign Minister Moshe Dayan and Defence Minister Ezer Weizman said that the Cabinet considered the demands violated the Camp David agreement.

## COMPANY NOTICES

## Rolingo

ANNUAL GENERAL MEETING OF SHAREHOLDERS to be held at the Hilton Hotel, Wembley, Saturday, 18th November 1978, at 10.00 am.

AGENDA  
1. To receive and adopt the Report of the Directors for the financial year 1977/1978.  
2. To receive and adopt the Report of the Auditors for the financial year ended 31st August 1978.  
3. To elect or re-elect the Directors for the year ended 31st August 1979.  
4. Appointment of the Auditor for the year ended 31st August 1979.  
5. To appoint a person to act as Chairman of the Meeting.  
6. To appoint a person to act as Secretary of the Meeting.  
7. To consider and, if thought fit, to recommend the payment of a dividend for the financial year ended 31st August 1978.  
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## WORLD TRADE NEWS

## Scandinavians optimistic on pulp profits next year

BY MAX WILKINSON

AFTER TWO years of heavy losses, the Scandinavian pulp and paper industry is looking ahead towards a recovery next year.

Mr. Bo Wergens, managing director of the Swedish Pulp and Paper Industry Association said in London that many mills would show losses for the year ending 1978, but he expected them to achieve break-even or slight profits next year.

His optimism is based on the increase in the price of market pulp from the low level of \$323 in the first half of the year to a current level of \$380 per tonne of bleached sulphate pulp. Mr. Wergens thought prices would further increase next year towards the \$415 peak achieved in 1973-74.

Mr. Wergens said: "I am not saying that prices will go quite that high, but I think they will be going towards that level."

Swedish pulp mills have now shifted all of their surplus stocks, and have now stepped up production to between 80 per cent and 85 per cent of capacity compared with the very low levels of 70 per cent or even

less two years ago.

As a result of the general improvement of demand, Mr. Wergens said the Swedish industry had won back the market share which it lost to American and Canadian producers in 1976.

He estimates that Sweden's share of the European pulp market is now 30 per cent of the total of North American and Scandinavian deliveries which he describes as the "normal" level.

The improvement in the pulp market has to be offset to some extent for the Scandinavians by the fall in the value of the dollar. Since prices are quoted in dollars, their revenues have been correspondingly reduced.

However, Mr. Wergens believes that the Scandinavian mills' margins will improve for three reasons.

First he believes the dollar is now undervalued and will tend to rise against the Swedish krona.

Second, he says, Swedish wood costs have been reduced by 20 per cent over the last two years including a 5 per cent reduction

this year. Labour costs also show signs of relative stability. He expects wood costs next year to be about the same as this year.

Thirdly, he believes that wood costs in the Southern States of the U.S. will tend to increase as a result of rising land and labour costs and pressure for more environmentalist measures.

It has been estimated that the Southern U.S. wood costs are \$100 lower per tonne of pulp than those in Scandinavia. In Sweden the costs of replanting and other Government decreed environmental measures add \$25 a tonne to the cost of pulp.

Although the differential between wood costs depends on the exact valuation of the dollar, the Swedes expect that it will slowly be reduced. They do not, however, expect the differential to disappear altogether.

He said: "The scenario is thus for a balanced international pulp market, where the main part of the supplies from new pulp capacities successfully coming on stream during 1979 will be absorbed by the increasing demand."

## Japan and China in \$190m deal

By Yoko Shibata

TOKYO, Nov. 12. MITSUBISHI Heavy Industries (MHI) and Mitsubishi Electric have received a \$190m order for large thermal power plant for the Raoshan Steelworks in Shanghai, the companies said here.

It is the largest order ever received by Japanese electrical power equipment manufacturers from China and is also the first order concluded since the signing of the Japan-China peace treaty.

The project calls for construction of thermal power units with total power capacity of 700,000 kw. Part of the fuel for the thermal plants are to be supplied by waste gas from furnaces at the Paoshan steelworks.

Mitsubishi Heavy Industries has the largest market share for thermal plants using a mix of waste gas and coal fuels.

The first plant will be completed by June 1981, and the other by the end of 1981. In April this year, China invited Japanese electric machinery manufacturing groups, Hitachi-Machinery, Hitachi Babcock (for boilers), Toshiba Electric-MHI (for turbines and generators) and MHI-Mitsubishi Electric (for turbines, generators and boilers).

Up to this summer, Hitachi and the Toshiba-MHI group seemed more likely to win the contract.

## Taiwan-U.S. talks on TV imports fail

WASHINGTON, Nov. 12.

The U.S. and Taiwan have failed to reach an agreement to restrict the Asian nation's exports of colour television receivers into the U.S. between now and mid-1980.

After three days of negotiations here, U.S. trade-policy officials said the two countries were unable to agree on how Taiwan's growing volume of colour TV set exports to the U.S. should be restricted under a bilateral "orderly-marketing" agreement. Further negotiations are not planned.

AP-DJ

## TUBARAO STEELWORKS

## A tri-national gamble

BY DIANA SMITH IN RIO DE JANEIRO

BASIC CONTRACTS for the about 50.4 per cent—depending on the type, quality and delivery dates of equipment.

Inevitably, at a time of steel crisis in Western Europe and Japan, the foreign partners in Tubarao have not disguised their interest in ensuring that the key Tubarao equipment is manufactured in their own countries, providing jobs for Italian or Japanese workers.

The finance agreement signed at the end of last month covers a \$700m consortium loan by Japanese banks led by the Bank of Tokyo, Long Term Credit Bank of Japan and Dai-ichi Kangyo Bank. This is a straight financial loan, not tied to equipment supplies, negotiated on behalf of Siderbras by Kawasaki Steel earlier this year, to cover part of Siderbras' share in the total Tubarao investment.

The loan will be supplied in three tranches: the first, this month of \$250m, the second, \$250m, in 1979 and the third, \$200m, in 1980.

Each tranche will have a 12 year term of grace, with spreads over LIBOR of 1.25 per cent for the first and 1.5 per cent for the other two tranches. Initially, the Japanese banking consortium was reluctant to guarantee more than \$180m but after negotiations earlier this year when Siderbras and the Brazilian Ministry of Industry and Trade indicated that the project would be jeopardised unless the full sum was guaranteed from the start, agreement was reached in July.

Shareholders capital according to Dr. Rossi, has been set at \$500m—\$550m—\$280m from Siderbras, and \$134.75m each from Finsider and Kawasaki. The remainder of the \$2.8bn investment, will be financed by Brazilian institutions including the National Economic Development Bank.

The preliminary sale and purchase agreement of Tubarao's output is geared to an 18-year period. In the first three and a half years, Finsider and Kawasaki have agreed to absorb ten per cent each of actual output (below 3m tonnes would be entirely Siderbras' agreed to raise this share to per annum initially). Originally,

the foreign partners' quotas was set at 20 per cent each but, in March this year, pleading high domestic idle capacity, the Japanese partners renegotiated their quotas. At the time

Brazilian steel sources indicated that Siderbras had agreed to reduce the Japanese quota in return for Kawasaki Steel's undertaking to negotiate the \$700m financial loan. For the sake of equality Finsider's quota was also reduced.

The sales agreement, Dr. Rossi says, contains a commercial flexibility clause. This not only allows the foreign partners to increase their quotas after the first three and a half years to 20 per cent, should the international steel situation warrant it but also permits Italy or Japan to sell whatever portion of their quota they choose wherever they choose should their steel problems persist.

This would include a chance to export the Tubarao product on their own after giving their partners advance notice but without needing their consent. Dr. Rossi maintains that efforts would be made to avoid undue competition between Tubarao partners on foreign markets.

The general Tubarao agreement, drawn up in 1974, allows for doubling capacity to 6m tonnes per annum. From a technical viewpoint, Dr. Rossi explained, this makes sense, since during the 15 years covered by the agreement, there will be three shutdowns of the blast furnace for relining. Also, a second blast furnace would ensure maximum technical and economic use of the operation.

All will depend on the world situation. In Dr. Rossi's view, Tubarao's scheduled start-up late in 1982, will coincide with the beginning of the end of the world steel crisis, with general capacity moving closer to potential consumption; what he terms a "happy coincidence."

Dr. Rossi says that it is virtually certain that a molten mill will be built adjacent to Tubarao, with a 2m-tonne capacity which will be entirely Siderbras' responsibility.

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## EFTA and Spain agree tariff cuts

GENEVA, Nov. 12.

SPAIN AND the seven-nation European Free Trade Association (EFTA) have reached virtually complete agreement on gradually reducing mutual trade barriers to the same levels existing between Spain and the EEC.

The agreement, which will be initiated on December 7, covers essentially industrial products and fish, which parallel accords being worked out between Spain and EFTA members on agricultural trade.

The object of the accord is to effect trade liberalisation between the EFTA and Spain in the intermediate period before Spain formally joins the EEC. After that, trade between Spain and EFTA will be covered entirely by the existing free trade arrangement between EFTA and the EEC concluded after Britain and Denmark left EFTA to join the Community.

AP-DJ

## British week in Warsaw

By Christopher Bobinski

WARSAW, Nov. 12. FORTY EIGHT British companies, including Taylor Woodrow, Cementation, Fisons and BP Nutrition are participating in a British technical week which opens in Warsaw tomorrow.

The week is being organised jointly by the London Chamber of Commerce and the Polish Technical Association and is the third of its kind in Warsaw. It will include films, lectures, and an exhibition.

The themes of the week are the food industry, construction, the chemical industry and transport, subjects which it is thought are likely to be of most interest to Polish importers.

Despite Poland's import cutbacks in trade with the West this year British Department of Trade figures show a rise in exports to Poland of 26 per cent over the first nine months of this year compared to the same period in 1977.

## Container ships over capacity

BY LYNTON McLAIN

THE WORLD fleet of deep-sea container ships is expected to increase by a third by the end of 1980, producing overcapacity on all established routes, London shipping consultants H. P. Drewry said in a report published today.

Deliveries of new vessels and the depressed world trade would combine to produce the overcapacity. There were over 100 fully cellular container ships, each with a capacity of 400 twenty foot long equivalent container units, on order last month

compared with 83 on order at the end of September, last year.

The expansion in the container ship fleet compared with a forecast rise of 10 per cent in the world fleets of bulk carriers, 7 per cent in the oil tanker fleet and 6 per cent in the fleets of combined carriers.

The factors behind the forecast of overcapacity included the lack of suitable investment opportunities elsewhere in shipping, current bargain prices for new ships, fears that inflation may lift prices and plans in the

developing world to build their own container fleets.

The total order book for container ships is equivalent to a world fleet annual growth rate of 11.5 per cent between mid-1975 and the end of 1980, based on the assumption that there is no further ordering for delivery during this period.

Only the start of an unexpected boom in world trade may prevent the deep sea container ship sector from sliding into increasing overcapacity and diminishing profits, the report said.

## SHIPPING REPORT

## Politics disturb freight market

BY OUR SHIPPING CORRESPONDENT

OIL TANKER rates stabilised last week as the flow of crude from Iran became more certain, but the effects of the volatile political situation there continue to have slightly unsettling effects on most areas of the freight market.

VLCG rates in the Gulf improved slightly last week, with a 260,000 tonner taking WS37, and a 384,000 tonner the surprisingly high figure of WS41.

Inquiry for period charters is

said to be on the increase, with charterers and owners manoeuvring for positions in a volatile market which is expected to weaken by the end of the year with an OPEC price increase.

In New York, Texaco has taken several ships in the 70,000 to 80,000-ton range for periods of 12 to 24 months at rates which equate to a spot rate level of WS76.

Brokers report some hesitancy in dry cargo markets as a result of the Iranian troubles, but the only actual fall in rates was in the U.S. Gulf, where \$10 was the going rate for Gulf-Continental for a 55,000-dwt ship last week

These rates are still high, however, by the standards of the last two years.

Timecharter rates for Panamax vessels have improved slightly in the Far East, but in the Atlantic rates have weakened slightly.

A busy week in the sale and purchase market saw an 11-year-old Panamax bulk carrier sold by P & O for \$1.9m—a good price in present times. A smaller bulk carrier of 27,000 tons built in 1970 went for \$4.1m.

Manchester Liners sold two ten-year-old container ships to the C. Y. Tung group for \$3.25m each.

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## World Economic Indicators

	UNEMPLOYMENT	Oct. 77	Sept. 78	Aug. 78	Oct. 77
U.K.*	000s	1,360.0	1,378.1	1,392.0	1,433.4
	%	5.7	5.8	5.8	6.1
Holland*	000s	210.2	211.6	216.5	206.2
	%	5.3	5.3	5.2	5.3
U.S.*	000s	5,900.0	6,000.0	6,002.0	6,872.0
	%	5.8	6.0	6.0	7.0
W. Germany	000s	901.6	864.3	923.9	954.4
	%	3.9	3.8	4.0	4.2
		Sept. 78	Aug. 78	July 78	Sept. 77
Belgium	000s	268.6	270.5	272.7	260.5
	%	6.7	6.8	6.8	6.5
France	000s	1,284.0	1,157.0	1,094.0	1,215.9
	%	5.5	5.0	5.0	5.5
Japan	000s	1,260.0	1,230.0	1,230.0	1,110.0
	%	2.2	2.2	2.2	2.1
Italy	000s	1,658.0	1,450.0	1,520.0	1,692.0
	%	7.5	7.2	8.0	7.9

\* Seasonally adjusted. † Provisional.

## This truck has lifted 500,000 tonnes and travelled 70,000 miles in the last 10 years

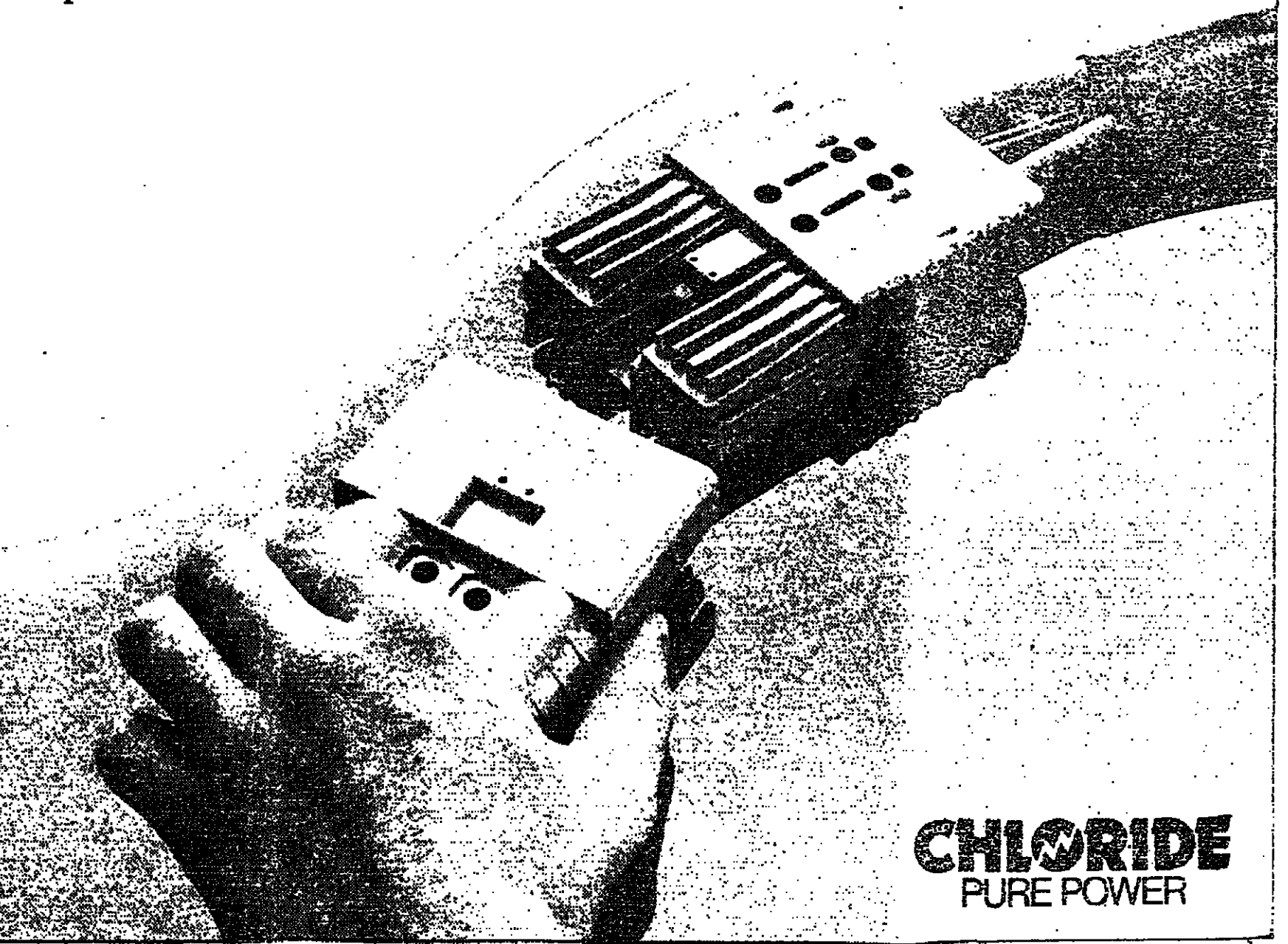
The battery electric fork lift truck at the end of this cable is rugged, tough, reliable and durable. Today's new breed of electric yard trucks are moving big loads in tough conditions. They'll handle any job up to 10,000 lbs — inside or out.

True, electricians don't conjure up virile dreams of power and strength under the driver's foot. But at least he can hear what his mates are saying! And he'll soon find out he's handling a delightfully simple, trouble-free piece of equipment.

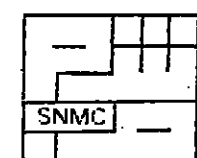
Battery electric trucks cost more to buy; but when you're next ordering a truck there's a couple of other things you should take into account. In the long run, lower fuel costs and less maintenance make electric trucks cheaper to run. And even after a long run, they have a high trade-in value.

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October 1978









# FEEDING THE FIVE THOUSAND... THOUSAND... THOUSAND



The world grows at the rate of 175,000 extra mouths to feed, every day. To keep them fed can't depend on miracles, but on skills and technology.

BP Chemicals make a significant contribution to this - helping to increase food production and to make better use of existing resources. Our acetic and propionic acids are vital constituents of herbicides that eliminate the weeds that choke fields of corn, reducing their yield.



We are always striving to develop

further uses for our acids in the service of the community. For example, with our formic acid, fishing fleets can now preserve fish offal by a technique new to the UK, and so make it available for animal feedstuffs.

BP Chemicals manufacture these acids in the largest complex of its kind in Europe. These products are important, not only for helping to feed the world, but also for pharmaceuticals needed to fight disease and improve health standards, and for textiles needed to produce more and

better quality clothing.

BP Chemicals are one of the founders of the European petrochemicals industry. Our direct access to the raw materials from within the BP Group provides security of supply.

This, together with our continuing investment in resources, service and product range, ensures that we continue to meet the needs of industry today, and the demands of the world tomorrow.

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November 1978

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Agent

WESTLB INTERNATIONAL S.A.

## Dell's signing is major coup

BY RICHARD LAMBERT, FINANCIAL EDITOR

FOR A GROUP which is by no means a giant in the City of London, Guinness Peat has been associated with a remarkable number of distinguished public figures.

They include Sir Charles Villiers, who was executive deputy chairman before taking up his cross at British Steel; Sir Derek Mitchell, who moved over from the Treasury to join the banking side last year; the ubiquitous Lord Goodman, who bustles around actively in his role as consultant to the bank; and Sir Fred Warner, a former Ambassador to Japan.

But signing Mr. Edmund Dell, Secretary of State for Trade, counts as its biggest coup to date. Guinness Peat has net assets of £45m. By comparison, former Chancellor, Lord Barber, left Westminster for the City to take the chair of Standard Chartered, which has net assets of £281m.

The key to the appointment lies in the personality of Lord Kissin. Guinness Peat's chairman architect, Lord Kissin, who is 66, was created a life peer under the Wilson administration in 1974, and knows his way around Whitehall almost as well as he does the City.

For the past few years, he has, in his own words, "tended to concentrate on strengthening the top management of the

group so as to ensure that when the time for change arises, the company has at its disposal people whose performance and entrepreneurial skills will ensure the momentum of the group's progress."

The most visible changes have come in the banking side, Guinness Mahon, which Lord Kissin merged into his own business, Lewis and Peat, in 1973. One of the smaller accepting houses, Guinness Mahon was, until not so many years ago, little more than a private family investment bank with not much interest in anything so vulgar as customers.

Only a handful of its present senior executives have been with the bank since its pre-merger days, and after a slow start within the enlarged organisation, it is expanding quite rapidly. Its two biggest constraints are its size—with net disclosed assets of around £22m, it is only roughly half as big as Schroders—and its late start in the quest for domestic corporate finance and investment business. Well over half its activities are overseas orientated.

The contracts and status which a man like Mr. Dell will bring to a bank at this stage of its development could prove invaluable. However, Guinness Mahon only accounts for about a fifth of the group's disclosed profits of just

under £8m after tax and minority interests. Of the rest, commodity broking and dealing represents about a fifth, and other forms of broking and dealing accounts for about a sixth.

Much the fastest growing area of activity comes under the category of international projects and commodity processing, which contributed nearly a quarter of last year's non-banking profits.

Earlier this year, the group was appointed project leader for a large integrated meat processing plant in the Sudan, and it has ambitious plans for developing in an area where it can combine its expertise in commodities, banking, insurance and other financial services.

Here again, Mr. Dell can be expected to play an important role. As Trade Secretary, he has gone out of his way to be involved in a multitude of trade and commercial negotiations around the world. He is good at handling the gritty gritty of international trade talks—and he actually seems to enjoy them.

Perhaps the one area which does not sit comfortably into this picture of an inter-related financial services group is its significant investment in Linford Holdings, which is involved in wholesale and retail food distribution. This interest developed out of Lewis and Peat's trading activities, but it is now of con-

siderable size. Over the long term, the holding may well be reduced in one way or another. Once Mr. Dell is established at Guinness Peat, Lord Kissin will presumably take up the new office of president which shareholders thoughtfully approved at an extraordinary meeting only last month. His role thereafter will be a lively source of speculation, for Lord Kissin is a dominant personality within his company.

At the time of the Guinness Mahon merger, it was widely assumed that Sir Charles Villiers would take the leading role in the enlarged organisation, and on a number of other occasions, various appointments have been correctly ascribed to Lord Kissin's desire to step out of the front line.

Today, little of consequence happens in the group without his knowing about it. Lending decisions over a certain size are passed up to him as well as to a formal credit committee, and he is active in every area of business development.

Doubtless Lord Kissin and Mr. Dell have already talked about who is going to do what. Lord Kissin may no longer be deeply involved in the minute to minute activities of a group which he is largely responsible for creating, but it is a safe bet that he will still be active on a daily basis.

## APPOINTMENTS

### New London chief for Paribas

M. Olivier Michon has been appointed executive vice president in London of BANQUE DE PARIS ET DES PAYS-BAS on the return to the Bank's international department in Paris of M. Philippe Drillet.

Mr. R. L. White has resigned from the board of CORNELL DRESSES.

Mr. R. J. Cole has been appointed deputy managing director of SELLINGCOURT with effect from January 2, 1979. He is chairman of Furzebrook Knitting Co., a Courtauld subsidiary.

THE BRITISH FOOTWEAR MANUFACTURERS FEDERATION announces the appointment of Mr. Peter Cowling as marketing director with overall responsibility for marketing at home and abroad. He has been export development manager with the federation for the past two years.

The marketing department of the hydraulic hose division of DUNLOP INDUSTRIAL GROUP, has appointed manager Mr. Derek Gray as marketing director. Mr. Gray has been marketing manager, hydraulic assemblies,

and Mr. K. Guild is appointed marketing manager, hydraulic hose.

PRIVATE PATIENTS PLAN announce the appointment of two directors. They are Mr. E. H. Lord, nominated by the Royal College of Surgeons of England, and Mr. T. L. Lewis, nominated by the Royal College of Obstetricians and Gynaecologists.

BPMMA—the packaging machinery division in the Process Plant Association, has made Mr. Roy Barker, sales director of Driver Southall, its new chairman. Vice-chairman will be Mr. Terry Parry, managing director of Norpak Machines.

Mr. P. Gheerbrant, an advanced manager in London of National Westminster Bank's international banking division, has been appointed deputy managing director of ROYWEST BANKING CORPORATION, an associate of ENGINEERING, as chairman. He is based in Nassau, Bahamas. He is the author of a textbook entitled "Cases in Banking Law".

NORTON SIMON INC. has appointed Mr. Solomon Meiser as president of Max Factor's Japanese subsidiary, Max Factor K.K. Max Factor is an operating unit of Norton Simon Inc.

Mr. P. E. Hammond, a general manager of The Hongkong and Shanghai Banking Corporation, has been appointed as a director of the SAUDI ARABIAN BANK. Mr. Keith Hindle has been appointed as a director of the Saudi Arabian Bank's banking division, the Saudi British Bank.

Mr. Fred Lloyd has been appointed chairman of the ROAD TRANSPORT INDUSTRY TRAINING BOARD for three years. He succeeds Mr. K. C. Turner, who retired in September. Five new members have also been appointed to the Board. They are Mr. H. G. Taylor, Mr. P. G. Crook, Mr. H. Jackson, Mr. V. Greenwood and Mr. D. A. Gohl.

Mr. P. J. S. Fordham has been appointed to the Board of HAWKER SIDDELEY WATER as chairman. He is managing director of Hawker Siddeley Power Engineering and a director of Hawker Siddeley Electric.

Mr. R. W. Shiden has been appointed director of the SOCIETY OF BRITISH QAS of the Harrie Lebus Group.

INDUSTRIES in succession in Mr. T. Counter, who has retired because of ill-health. Mr. Shiden continues as secretary.

Mr. C. J. E. Rowe, previously manager of the private trade department, has been appointed a director of FIDELITY MACHINERY AND CO.—Mr. P. G. C. Smith has left the company to become cellar manager of the Café Royal, London, and Mr. P. Weikopf has been appointed cellar manager at Fidelity's offices in Merton.

As a result of the merger between MANCHESTER GARAGES and OLIVER RIX the following Board appointments have been made: Mr. R. A. Stoddley, chairman and managing director of Manor National Group Motors, Manchester Garages, and Oliver Rix, Mr. K. W. Bynon, Mr. M. E. Acland, Mr. A. K. L. Stephenson, Mr. A. M. Strubberg and Mr. D. E. Rogers have become directors of Manor National Group Motors.

Mr. Ian Fraser has been appointed managing director of HOMEWORTHY FURNITURE, a member of the Lomho Group. He was previously marketing director of the Harrie Lebus Group.

This advertisement appears as a matter of record only.

22nd September, 1978

## Banco Central de Reserva de El Salvador

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Handwritten signature: J. Vautobel



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## OFFICE EQUIPMENT

### Word processors for most users

IN A BID further to consolidate its hold on the word-processor market, of which it already has over 40 per cent, Wang has started to market a unit which, it indicates, is the lowest-priced screen and floppy disc machine available.

Its System 5, at a starting price of £3,245, will outperform equipment costing 30 per cent more, the company asserts. Meanwhile, at the other end of the scale, it has new equipment which can drive up to 32 units, which can include workstations, printers, photocompositors, telecommunications links and optical character recognition equipment.

This unit, which comes in three models like the System 5, has been designated OIS 140 and costs between £14,750 and £18,250. Included in the equipment is a drive for a new wide carriage printer with ability to produce 425 lines per minute.

The company has provided for compatibility and convertibility between existing equipment and its new launches, prompted by its experience in the small business systems market where it has now some 50,000 installations in the field—a share, as Wang's UK general manager Raymond Redpath puts it, "second only to that of IBM by a mere 3 per cent."

The word processing market in Britain is highly fragmented with something like eight well-known names competing for what is a relatively small sector of the potential office automation market. Wang is in a strong position, and is also looking very hard at total office communications of which word processing is only a sub-set.

Wang (UK), Chichester House, 278 High Holborn, London WC1ZEE. 01-242 8554.

### Files harder to lose

DESIGNED for its Acme Astro-matic mechanised unit—but applicable to other systems—KromaKode colour-coded filing from Jetleys (Great Britain) converts numerals and/or letters to specific colours which are printed on wrap-round labels attached to the visible edges of folders. These organise records into distinctive sequences of numbers and letters by colour, creating blocks of colour in the file.

Continuity of colour bands is interrupted if a folder is re-filed out of proper sequence. This automatic signal of a misfile, provided as soon as it happens, eliminates tedious (and costly) manual searches.

Numeric systems are available for records to be filed in straight, double or triple digit sequence. Numbers and colours never vary, so that green always represents zero, pink is always one, black is two, yellow is three and so on up to nine.

All the digits of a file number are colour-coded and show on both sides of the tab. The last two digits show on the bottom band and are coded to the second digit from the last. This forms a block of colour by having ten consecutive numbers in the same colour.

The same combinations of colours will not appear at any other place in the file. Therefore, the only place a misfile can occur is within the block of ten consecutive numbers. This is true even where there are ten or more numbers in the file.

Jetleys, 3 Astoria Mansions, Streatham High Road, London SW16 1PS. 01-877 3833.

### The French word for it

AN ENGLISH-FRENCH general technical dictionary by J. Gerard Bellefleur will be published on November 16 by Routledge and Kegan Paul at £9.95.

There are over 49,000 English terms pertaining to some thirty different industrial and commercial techniques in common use, with more than 126,000 French equivalents, including the different meanings relative to the English terms.

The author, who has had a long career as a civil engineer in Canada, produced the first edition of the present work in 1965 which, the publisher says, was immediately established as the standard work in its field.

## COMMUNICATION • RESEARCH

### Gives two way direct speech

AN intercommunication system which can accommodate between two and 56 stations connected in a ring by a three pair telephone cable and, in effect, provide duplex speech is available from Barkway Electronics, Royston.

Logic in each of the stations is able to recognise its calling signal and seize the audio pair. Then, voice switching is used to allow two-way conversation. A third party can be brought into the conversation if desired. Identity coding is hard-wired into each station and is altered by changing wire links. However, a station can be unplugged and used elsewhere without changing its coding.

In noisy factory environments where voice switching becomes a problem, reversion to simplex is possible by key depression. In addition, any station can make a paging call to all others by the use of a "page" key. Optional handsets can be supplied with the press-button units.

Barkway is at Royston, Hertfordshire (Herts) SG8 6BB.

### PROCESSES

#### For safer furnaces

THE OFTEN hazardous process of heat treating metals in furnaces can be made safer by using a nitrogen purging technique offered by BOC.

Explosive hazards can arise with the mixture of carbon monoxide and hydrogen used in such processes as case hardening particularly if the temperature drops below 750 deg C, which might happen for example in the event of an electricity supply failure.

The BOC system, called Furnace Guard, makes use of a massive flush of inert nitrogen to purge flammable gases from the furnace after a hazardous condition has been detected. Hardware includes a sensing system able to detect low temperature or pressure or a failure of the mains.

Liquid nitrogen is kept in an external tank at minus 196 deg C and is vaporised and introduced into the furnace at about 20 in. w.g., sufficient to flush the system through. Audible and visible warnings are given that purging has been triggered. A manually activated system can also be supplied.

BOC is at Hammersmith House, London W6 8DX (01-754 2620).

### Transporting the disabled

BECAUSE OF the basic difficulties encountered by elderly and disabled passengers when using buses, Leyland Vehicles (the truck, bus and tractor company within BL) has spent five years researching into these problems.

Its human factors research (literally the study of the interaction between people, machinery and the environment) was carried out under a contract from the Transport and Road Research Laboratory. The work has now been completed with the result that the inclusion of a number of advanced design features in Leyland's latest double-decker, the Titan, promises a brighter outlook for old and infirm travellers.

The bus offers comfort within plus space, excellent heating and ventilation. Integral construction brings the entrance step down to 12.2 inches.

There are, too, well placed grab rails, and the gangways are comfortably wide, particularly near the exit where congestion is most likely.

The production of a bus incorporating these features followed the company's 1973 first report on the subject of transporting aged and physically incapacitated people. Their capabilities with regard to step climbing, the length of reach and strength, etc., were assessed in a series of practical, medically supervised tests on a mock-up bus interior using over 200 subjects

## NAVIGATION

### Helps avoid collision

ALTHOUGH computer-driven marine collision avoidance systems working in conjunction with radar already exist—some can track as many as 30 targets—they can be expensive and so not readily available to smaller vessels.

At prices which start in the £500 region, Brown and Perrins (Instrumentation), of London, is importing devices which can be connected to any existing marine radar display unit and which will lay down a range and sector guard zone, initiating an alarm if another vessel enters the chosen area.

The equipment, made by Radar Devices in the U.S. will only trigger when an echo has been identified for three consecutive scans, minimising the possibility of false alarms from clutter.

The more advanced versions of the equipment will highlight targets entering specified zones and give a digital presentation of the range and bearing of the most threatening.

If the alarm is overlooked by the officer on watch, a secondary alarm in the master's quarters (or wherever desired) will sound.

7, St. Botolph Street, London EC3A 7DT (01 626 6065).

## DATA PROCESSING

### Fast print-out machine

DOCUMENTATION is offering in Britain its DOC 2000 model—a 2,000 lines per minute impact printer for users of Burroughs computers, and also most types of minicomputer.

Documentation 2000 is also being made available as part of a new off-line printing system. This is set up by interfacing the DOC 2000 model with a print station comprising magnetic tape unit and associated control unit, housed in a cabinet which provides an operator panel for data entry and alpha-numeric display.

Off-line printouts can be produced using 9-track 1/2 inch magnetic tape of 500 or 1600 bpi density on which data is recorded from the computer.

With a 6-copy capability, each 2000 printer can effectively yield up to 12,000 lines per minute. While this performance is exceeded by many laser printers, the cost of running banks of the 2000 model could be as low as one third that of relying on laser machines.

The 2000's impact printing method is also more efficient, the company asserts, when printing forms with irregular data layout.

out, such as purchase orders, invoices and statements, because of its ability to skip at very high speeds.

Documentation, Mill Mead, Staines, Middlesex TW20 4UG. Staines (0754) 61124.

### Control of sales

THE LONDON Brick Company, which has recently decided to shift from NCR to Univac computers, also turns out to be the recipient of the 1,000th Univac OS/2 based machine in the UK.

The Bedford-based brick maker, largest in the world, will be using the machine for sales and distribution, stock control and sales orders. Projects under consideration for the future include distribution using on-line terminals, and on-line stock control of spares.

Machine to be used at LBC has a 90/30 processor with 196K of memory, with four disc units holding 58 megabytes, and a pair of tape drives. Including VDU terminals, the value of the installation is about £1m.

## WELDING

### Distribution agreement

THE INDUSTRIAL fastening and supplies operations of BIF British Industrial Fastenings have been widened following the company's conclusion of a sole distribution franchise for the UK with the Perma Company of Switzerland.

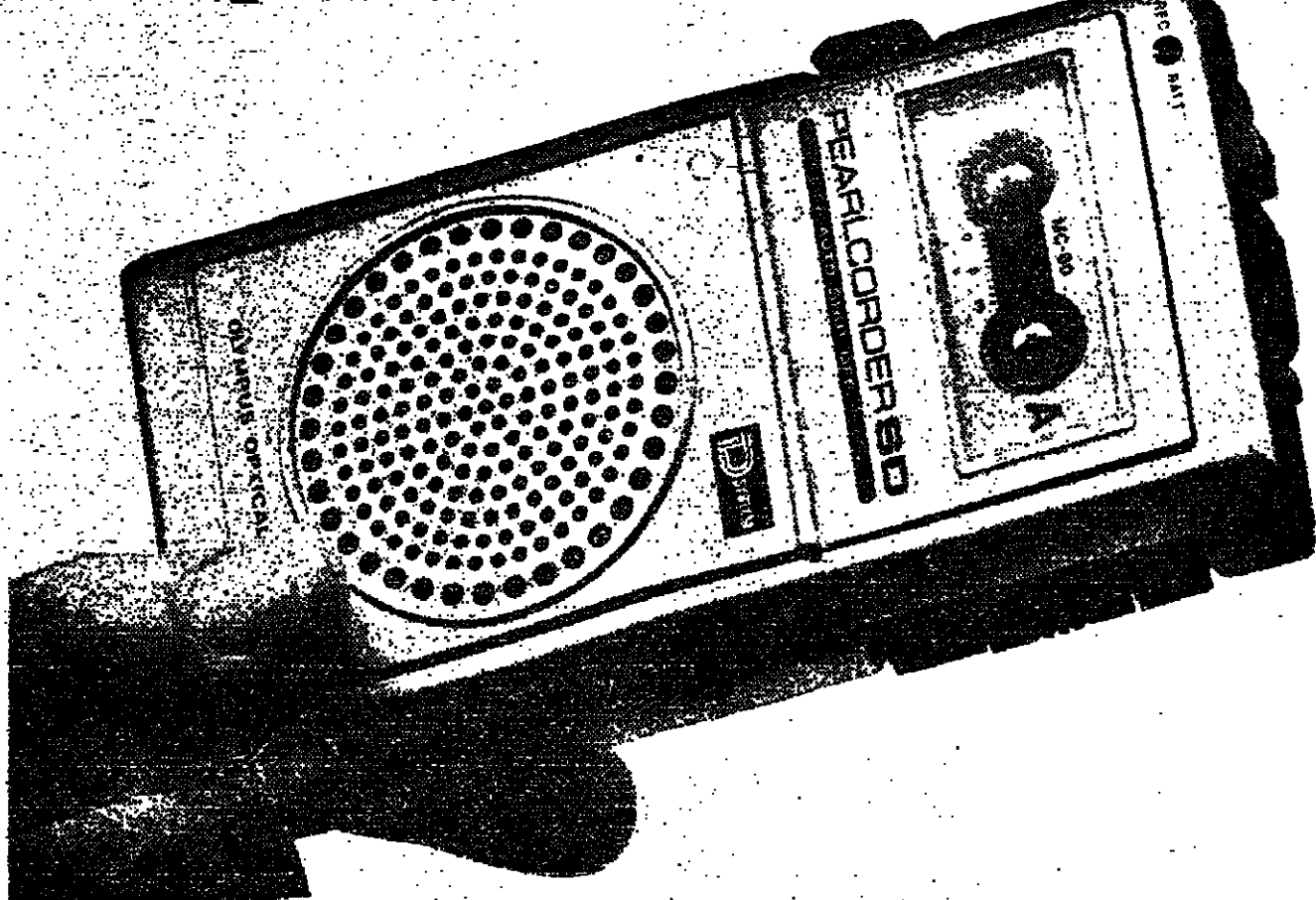
The latter—based near Geneva—supplies a comprehensive range of multi-purpose, high quality alloys and equipment to the maintenance and repair world.

the market, and the British company will market the Perma product range via its specialist engineering salesmen selling direct to industry and the maintenance welding market.

Facilities have been created at BIF's Letchworth Road, Letchworth, Herts, to provide guidance, instruction and special training for its customers' maintenance welding needs.

More from BIF at 0296 81241.

# IT'S ABOUT THE SIZE OF YOUR WALLET. (WE HOPE.)



Five and a half inches by two and a half inches by nine-tenths of an inch is a tiny cassette recorder.

But it's a fat wallet.

Which is just as well, for the Olympus Pearlorder SD Microcassette Recorder (phew!) costs one hundred and fifty-nine pounds ninety-five pence (PHEW!).

Note the term "Micro-cassette."

The cassette itself is less than half the size of your credit card.

Micro it may be, but it gives a full one hour's recording and playback time.

Enough for 6,000 words, or Beethoven's Violin Concerto.

If you think that sounds amazing, you're right.

The Pearlorder SD has a built-in electret condenser microphone, a ferrite recording head, and a 50mm dynamic speaker.

On the outside, it has all the usual controls for recording, playback, volume, fast forward, rewind and eject.

Plus the unusual ones for review, cue and pause.

It also has automatic tape shut-off.

And automatic recording level control.

Obviously, this is no playing for the idle rich (unless, of course

you happen to be idle and rich).

No, the Pearlorder SD is designed for rather more businesslike activities.

Conveniently positioned at the top of the machine are two tiny jack sockets.

These will accept such accessories as a tie-clip microphone, earphone, an external speaker/amplifier and a telephone pick-up.

You can even attach a cunning little device called a voice activator, which starts recording automatically when any sound is picked up.

And (secretaries, please note) we also make a special microcassette transcriber.

But listen to this.

The Pearlorder SD is the only microcassette recorder that can tell you the news.

Because it has the unique facility of plug-in AM and FM tuner modules.

And that has to be good news.

Unlike the inescapable fact that all these little extras cost a little extra.

Indeed, if you were to buy the entire Microcassette system, you wouldn't get much change out of five hundred pounds.

The sort of money you could pay for one of those big, gleaming open-reel tape recorders.

It'd look fantastic in your office.

But ridiculous in your inside pocket.

Microcassette recorder.

Microcassette recorder.

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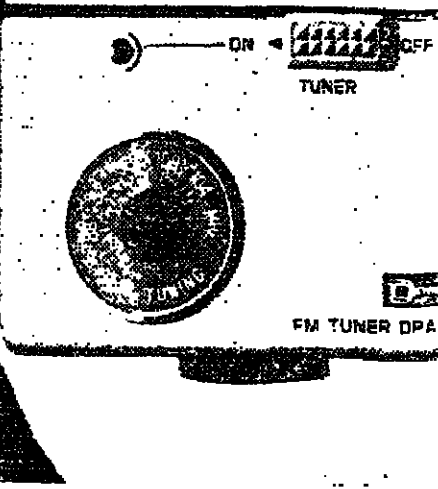
Microcassette recorder.

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Microcassette recorder.

Microcassette recorder.



**PEARLCORDER**  
The Olympus Microcassette System

Complete the coupon and return to:  
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Leeds LS2 3PL. Tel: 0113 275 2772.  
Please send me more information about the  
Olympus Pearlorder microcassette system.

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City: \_\_\_\_\_  
Postcode: \_\_\_\_\_

FM TUNER DPA 2



# Building and Civil Engineering

## Search for water in Burma

GROUNDWATER Development Consultants (International) joint venture of Sir M. MacDonald and Partners, consulting engineers of Cambridge, and Hunting Technical Services of Boreham Wood, Herts, have been appointed to assist the Government of Burma in setting up a new groundwater department within its Department of Irrigation.

First stage of the work, which is just starting and is scheduled for completion in two years, includes exploratory drilling of

## £100m to Jeddah shipyard group

A CONSORTIUM of Saudi-Tarmac of Jeddah and the Swiss Company Navellin, Sapeco, has won a £100m contract to build a ship repair yard in Jeddah.

Dr. Fayis Badr, president and chairman of the Ports Authority of the Kingdom of Saudi Arabia, signed the contract which covers the construction and management of the yard. Completion is due in 1981.

Saudi-Tarmac was commissioned by the Ports Authority in September 1977 to carry out a feasibility study into the construction of a ship repair facility in Jeddah and to undertake the study the Sapeco consortium was formed in association with Navellin. Merchant banker Morgan Grenfell assisted the consortium with the study.

The contract covers the design, construction and management of the project which involves providing two floating docks of 45,000 deadweight tonnes and 16,000 deadweight tonnes, complete repair yard facilities and housing for the 700 staff and workforce to operate the yard.

Sapeco is to be responsible for the training of the staff and labour, and organisation and management of the project. Navellin are part of the Port of Jeddah Ltd. group, Saudi-Tarmac will be responsible for the civil engineering, accommodation and shore-based work.

## Teaching hospital in Pakistan

SHEIKH HANDAM Bin Rashid, Ruler of Dubai, has signed a contract with the Pakistani construction company McDonald Leyton for a surgical complex at the Qaid-i-Azam teaching hospital, Bahawalpur, Pakistan.

When completed, the work will make the hospital one of Pakistan's major teaching hospitals where 200 students will be admitted each year for training.

The hospital contains 550 beds and the current expansion programme is likely to increase this capacity to 1,200. Work is due to start in December. Finance for the project has been provided by Sheikh Rashid.

John R. Harris and Partners, of Dubai, are the architects with R. Crocker and Partners, structural engineers. Widdell and Troilope, quantity surveyors and Upton Associates as services consultants.

A further £50,000 contract has been awarded by Stanton and Staveley for the design and construction of foundations and associated works for a new process plant to produce large diameter cast iron specials at Stanton.

The North West Water Authority's Pennine Division has awarded a £350,000 contract for the construction of a reinforced concrete reservoir, plus ancillary works, at Tottumham, near Bury, Lancashire, while for Longcliffe Quarries, under a £180,000 award, F. C. Construction is excavating in rock and constructing access cuttings and a reinforced concrete underpass with wing walls beneath the B506.

Northants for £98,000. Other jobs for Mitchell include a new bowling centre and auto hobby shop extension at RAF Benwaters, near Ipswich, Suffolk. This is being built under a £461,000 contract awarded by the Property Services Agency on behalf of the United States Air Force.

In Leicester, the company is doing £285,000 worth of sitework for the new Glenfield Hospital and at Luton it has started on a £248,000 civil engineering contract for the Lea Valley Water Company.

RECOMMENDATIONS for improvements in certain specific areas of current practice in the design and construction of low-rise buildings are made in a new Building Research Establishment Current Paper, The paper—CP61/78 "Foundations for low-rise buildings"—was discussed last month by the Institution of Structural Engineers, and is available, free of charge, from the Distribution Unit, B.R.E., Garston, Watford WD2 7JR.

Mitchell is also fitting out a new store for Waitrose at Milton Keynes at a cost of £394,000 and building the shell for a new Kwik Save store at Rushden.

But it suffers from the defect that, after a year, it has inadequate flexural capacity, which means that primary structural applications by architects and engineers are ruled out. However, in every other respect it is an ideal building material, lending itself to geometries hitherto impossible to achieve.

This limitation was understood at the outset of the £25m investment programme by BRDC, Pilkington and their licensee, Research undertaken since 1976 by Mr. M. Cleary, who is a civil engineer with the blessing of the two organisations involved in GRC, indicates that the incorporation of Du Pont's Kevlar aramid rovings in normal sprayed concrete may improve tensile properties to such an extent that the new composite will be suitable for semi-structural components. Kevlar has a tensile strength close to that of mild steel.

Thus, various projects are under way to experiment with ARCR (aramid rovings) at pre-determined centres by a 5 per cent aramid glass reinforced ordinary Portland cement for wharf facings at Chiswick and in lightweight domed roofs for prefabs.

New techniques make it possible to maintain the hydration process within the cement indefinitely, conferring high permeability, while impregnation with sulphur provides very high resistance to acid.

Following the initial work by Mr. Cleary, units produced by licensees are being tested at Birmingham University's civil engineering department, while Thames Polytechnic, school of civil engineering, is specifically concerned with vibration-testing of such units.

M. Cleary, 1 Lamberhurst Road, Maidstone, Kent ME16 0NS. 0622 52801.

Rough-terrain and hydraulic truck cranes built by the Pettibone Corporation of Chicago are to be distributed in the UK by A. Long and Co.

Lesser Construction has been awarded a £455,000 contract to design and build a 48 bedroom and conference room extension at the Swindon Crest Hotel, Stratton St. Margaret, Swindon, Wilts. Its tenth contract for Crest Hotels Europe.

A further £125m has been added to contracts valued at over £5m currently under construction by Styles and Wood of Oldham, Greater Manchester. New work is a mixed bag with industrial and commercial building strongly represented. Major jobs include a two-storey open block and two retail supermarkets, plus a knitting factory and a shot blasting factory.

Ash & Lacy Steel Products and Prince Cladding BV of Zoeterwoude, Holland, have won between them a £170,000 contract for a coated steel cladding system for the exterior of a new animal hospital to be built on 139 acres of reclaimed land at Lelystad. The system has already been used under a £22,000 contract for Rotterdam's new city centre ice stadium. Europe's largest covered ice rink.

An association of partitioning contractors and companies directly linked to the industry has been recently formed, with a membership open to all companies operating within the industry, whether contracting or supplying components. Registered office is at Canberra House, 515 Regent Street, London W1R 7LB.

Work has started on an 80m x 100m x 10m special development area, under a contract worth about £335,700 awarded to Wm. Moss and Sons of Liverpool.

The London Borough of Lewisham has awarded two contracts, valued at over £250,000, to Corral Construction (a Powell Duffryn company), for the rehabilitation and conversion of six houses in Ringer and McGowan Road, Sydenham, London SE26, into 20 modern flats and maisonettes.

## £5m jobs for McAlpine

SEVEN NEW contracts, totalling about £5m, have been awarded to Sir Robert McAlpine and Sons. The company will build an Oncology Unit at the King Edward VII Hospital in Midhurst, Sussex, an extension to the National Army Museum in London, a shopping development in Sunderland, and an extension to the Gosforth Park Hotel, Newcastle.

Wales is the scene of a wharf extension project at Pembroke, and in Scotland work is about to start on the St. Enoch Station, Glasgow, element of the new Clyderail integrated transport system, and on shopping development at Greenock.

The work which will be financed by a grant from the United Nations Development Programme, will be commissioned by contract with the International Bank for Recon-

struction and Development. It will be divided into three phases. The first two will be exploratory involving groundwater investigations and the construction of pilot wells. The objective of the third phase is the exploitation of groundwater for irrigation through the dry season, and for additional irrigation during the monsoon so that a system of highly productive multiple cropping may be undertaken.

This is the first appointment in Burma for Sir M. MacDonald and Partners.

WORKERS AT Caidon Low, near the Staffordshire-Derbyshire border, are blasting big blocks of limestone which will be used in forming the barrier on the river Thames at Woolwich Reach.

The quarry, owned by Tarmac Roadstone (Southern), has so far supplied more than two thirds of the 30,000 tonnes scheduled this year.

From the quarry face the blocks—weighing between two and six tonnes each—are taken by dump trucks to wagons in the quarry's rail sidings and then by British Rail to a stockpiling area near the Thames Barrier site.

The flood barrier project is the second big order for such stone. Some years ago about 100,000 tonnes were supplied for harbour works at the British Steel Corporation's plant at Port Talbot in South Wales.

Caidon Low, which has been a quarry for about 200 years, employs 70.

Another development scheduled to start next spring is at High Throston, Hartlepool, where 180 new homes ranging in price from about £14,500 to £21,500 will be constructed on 17.5 acres of former agricultural land.

The third development is at Yarm and provides, for about 300 units on 30 acres of land at Layfield Farm. Work is expected to begin as soon as the plans have been approved by the appropriate authorities. Prices of dwellings will range from £14,500 to about £31,500.

PRIVATE residential developments are to be carried out in the Cleveland area by William Leech (Builders) the Tyneside-based building group. The group recently spent about £1m on the purchase of land in the Cleveland area for three main projects.

One of them is at Stokesley where a development of more than 60 detached executive-type homes is to be carried out on more than 8.5 acres of former grassland. The houses are expected to range in price from £18,500 to around the £30,000 mark.

Other work in the north-east, worth over £400,000, includes factory extension for the Borough of Hartlepool, a depot for Service Engines at Carlisle, workshop and offices at Durham for Bridge End Motors, alterations and refurbishing work at Crumlington for British Gas, and further civil engineering work at Redcar for the British Steel Corporation.

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## Will help hold the water back

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## Rush and Tompkins busy

AN AMENITIES block for Winthrop Laboratories is to be built at Newcastle upon Tyne by Rush and Tompkins.

The contract is worth £1.8m and calls for a 68 metres by 31 metres two-storey building which will be steel-framed with reinforced concrete floors and roof. Precast panels and brickwork cladding will be used. Design is by the Ronald Cliphase Partnership.

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## Housing in the north

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# The Executive's and Office World

مكتبة الأعمال

EDITED BY CHRISTOPHER LORENZ

## How two entrepreneurs shaped up to the challenge of launching a new game

BY NICHOLAS LESLIE

EVERY entrepreneur must dream of being given enough money—as a gift, and with no strings attached—to put his company on its feet. But to expect the dream to become reality? Preposterous, surely.

Well, it was not so for Mark Eliot and Brian Taylor. Just when they thought they would have to give up their plans to launch what they are convinced is the best board game since Scrabble or Monopoly, they found they were saved quite literally, by a donation of \$16,000.

As a result, they now seem to be on the threshold of scoring a major success with their game, which is called Skirrid. They reckon that by the end of the year, when the peak Christmas season is over, they will have sold 100,000 sets—and this in only the first full year of operations.

Because of their good fortune in getting such a sizeable cash gift Eliot and Taylor provide an extremely untypical example of what it is like to "do your own thing." But aside from this, they are ideal examples of entrepreneurs because they demonstrate clearly the kind of tenacity that is needed to develop a product to the point where it cannot be improved, to keep on lobbying for financial support, to market a product in the face of both resistance and apathy and to risk all one's own capital.

A notable feature of Eliot and Taylor's success to date is that it has been achieved by two such distinctly opposite types of character. Eliot, 38, is a rather quiet, self-confident director and producer of documentary films. Taylor, 41, is a week national assistance while boisterous, eccentric artist. Yet they both proved to be perfect teamists when it came to creating a game which they felt had something to produce. Eliot would have widespread appeal sold his house, and raised and which could be played at £10,000. This, however, was different levels of intellectual eaten up fairly quickly.

### Arguments

They worked on this for six months last year, throwing out a multitude of ideas and getting embroiled in a whole series of arguments with one another. At the same time, they were researching their market to see what type of games were generally on sale.

The game Eliot and Taylor began to refine involved a board with numbered and blank squares with each player having a series of different shapes. The aim is to place the shapes over the squares in such a way as to cover as many numbers as possible. The greater the sum of numbers covered on each play, the better the player's score. This concept is simple, but the game as now marketed can be extremely testing.

The two men, together with the third member of their team, Evelyne Lewiston, found themselves having to survive on £11 monthly allowance. Taylor, 41, is a week national assistance while boisterous, eccentric artist. Yet they both proved to be perfect teamists when it came to creating a game which they felt had something to produce. Eliot would have widespread appeal sold his house, and raised and which could be played at £10,000. This, however, was different levels of intellectual eaten up fairly quickly.

Then, out of the blue, Eliot and Taylor's patent agent told them that an American was interested in their game and would they like £30,000? This seemed too good to be true, but it turned out to be a genuine offer. They met the American and reached a broad agreement whereby if the game was successful, the American would get royalties and if it wasn't he would bear the losses.

But before the agreement was signed, the American disappeared. The patent agent was embarrassed and Eliot and Taylor were, to say the least, disappointed. However, Eliot was convinced the American was genuine and contacted various people whose names had been mentioned in conversation with him. Eliot's persistence was rewarded when he traced the American to a hotel in Los Angeles.

The American (whose name Eliot and Taylor keep closely to themselves) said he still had faith in the game, but was having to sort out some business problems. But as an act of good faith he gave them £5,000 immediately—this was in November, 1977—and promised that if he didn't sign an agreement and come up with the balance of £25,000 by December 22 he would give them another £10,000 as a gift.

Meanwhile, the game had gone into production with sub-contractors. Eliot and Taylor committed themselves to an initial order of 5,000 but got a rude shock when, after contacting ten stores in various parts of South Wales—representing a cross section of toy shops, book shops and department stores—they got possible orders for just 500.

It is at this point that their tenacity again showed through. Rejecting the notion that they should try and sell their game to a toy manufacturer, they started an extended tour of the ten stores, persuading the managers that they should be allowed to demonstrate the game and to challenge members of the public to play against them.

The upshot of this was that by Christmas Eve they had sold all 5,000 sets. At the same time, on December 22 and with no agreement signed with the American, another draft from him for £11,000 appeared in Eliot's account.

This gave them a considerable boost. But why, it can be reasonably asked, would anyone just give away £16,000? There seems to be no clear explanation other than that the American appears to have a habit of depositing cash with a variety of entrepreneurs, presumably making money with some and losing it with others. Eliot realised that even more money—probably £50,000—was needed if the game was to be marketed as he saw fit. He was



Brian Taylor (left) and Mark Eliot, co-inventors of Skirrid, a new board game. They are currently sponsoring, in conjunction with Trinity House, a Skirrid competition among Britain's lighthouse keepers.

however, that Skirrid needed more than £30,000 if it was to achieve its potential. Therefore, they agreed to guarantee a facility for Skirrid of up to £100,000.

The Thomas's believe that their risk is limited. If the game does badly they will at least have stocks which can probably be sold over a period, thus eliminating any sizeable loss. If it does well, then so do they.

Taylor, meanwhile, has a royalty agreement, but little to do with the company other than helping to promote it. Having helped to invent it he now wants to get back to his painting and is happy to leave Eliot to run it as a business.

Whether it develops into a manufacturing operation has yet to be decided as it is still early days. But as Eliot points out, even though he is not particularly interested in that side of business—his forte is clearly marketing—his partners know all about manufacturing.

Meanwhile, what does Skirrid mean? At the moment, nothing. The name, after much heart-searching and argument, was taken from a mountain called Skirrid near Abergavenny, in Wales, where Eliot now lives. (Taylor lives miles away in Brighton). But the fact that it means nothing is seen as an advantage, because Eliot and Taylor aim to make it mean something—their game.

### EXECUTIVE HEALTH

BY DR. DAVID CARRICK

## The secret fears that can cause so much distress



... a physician unable to heal himself.

WHEN I was a medical student, and therefore knew everything, a friend presented me with a problem of magnitude.

I had not seen him for two years during his National Service stint, and I was shocked by the change in him, physically and mentally. He had been a good boxer and a fearless rugby player who was frightened of nobody; now he was a timorous shadow of himself and at least two stone lighter. Once I had envied his academic prowess; now he was apathetic and had decided against resuming his interrupted studies.

Questioning him was useless and even threatened a long friendship. All I could do was to wait for him to fill me in on his unpretty picture. The moment came one night in a pub when, after I had plied him with drinks, I could ill afford, he suddenly sighed and muttered: "Old sins cast long shadows, don't they?"

### Lugubrious

I supposed so, and asked him which ones he had in mind. His story, even told in a lugubrious fashion, would have been amusing had his state not been so obvious. Apparently, when stationed in the Middle East, some of his faintly coarse soldier chums had clubbed together to buy him a novel birthday present—a local lady of distinctly dubious repute. The party was very fluid and my poor friend remembered nothing until he awoke next morning with a hangover and the alarming lady.

Although his evidently help-

less state must have precluded any activity save drunken slumber, he had somehow convinced himself that he had contracted what a Victorian advertiser delicately called "a secret disease." Everything was against it. Dates were wrong; symptoms and signs were wrong; but nothing I said could convince him. Reluctantly he showed me some tender, enlarged lymph-nodes in one groin which, in fact, were due to infected mosquito bites on his leg. But nothing would shift his black belief. With great difficulty I persuaded him to visit my teaching hospital for conclusive tests and I only succeeded because I was now his physical superior. During the three days awaiting the results, I had to watch him very closely as his agitation and depression were dangerous.

Naturally all tests were negative, and the change in the man was incredible. His appetite was voracious and he regained his weight in a fortnight. His psychological health also recovered but, alas, his old moral strength made him pursue the paths he had selected, abandoning intellectual pursuits. He is still in the same mundane job, and the fact that he earns three times more than I do is neither here nor there. But he still has moments of regret that just one stupid practical joke bent his life irretrievably.

His was a case of chronic stress reaction and quite understandable. Many executives and others nurture secret fears about illness (usually more "public" than "private") which ferment like yeast within them and become potent stress factors contributing to anxiety reactions. By and large, however, the average executive can withstand one or even two stress factors, but many give up before three or more. Commonly one sees a man or woman displaying recognisable anxiety symptoms—leaden fatigue, slumber, he had somehow convinced himself that he had contracted what a Victorian advertiser delicately called "a secret disease." Everything was against it. Dates were wrong; symptoms and signs were wrong; but nothing I said could convince him. Reluctantly he showed me some tender, enlarged lymph-nodes in one groin which, in fact, were due to infected mosquito bites on his leg. But nothing would shift his black belief. With great difficulty I persuaded him to visit my teaching hospital for conclusive tests and I only succeeded because I was now his physical superior. During the three days awaiting the results, I had to watch him very closely as his agitation and depression were dangerous.

This may be fear of illness or increasing debts or other matters. Too often, however, both patient and doctor may forget a stress factor as potent as it is malignant. It is overlooked because it is acute-on-chronic and is as difficult to find as one needle among many.

### Demands

I refer to demands from the Inland Revenue persons: demands frequently couched in libelous terms and with barely hidden threats. They are not sent to the mediocre; only to those who, through some extra talent or enterprise, are able to earn a little more through art, writing, or individual enterprise. Constant blights on their initiative, they even drive some to tax-haven.

The doctor can help with many matters. He can advise: he can intercede; he can use medication and so remove many stresses. But when it comes to entering the lists against the about illnesses (usually more "public" than "private") which ferment like yeast within them and become potent stress factors contributing to anxiety reactions. By and large, however, the average executive can withstand one or even two stress factors, but many give up before three or more. Commonly one sees a man or woman displaying recognisable anxiety symptoms—leaden fatigue, slumber, he had somehow convinced himself that he had contracted what a Victorian advertiser delicately called "a secret disease." Everything was against it. Dates were wrong; symptoms and signs were wrong; but nothing I said could convince him. Reluctantly he showed me some tender, enlarged lymph-nodes in one groin which, in fact, were due to infected mosquito bites on his leg. But nothing would shift his black belief. With great difficulty I persuaded him to visit my teaching hospital for conclusive tests and I only succeeded because I was now his physical superior. During the three days awaiting the results, I had to watch him very closely as his agitation and depression were dangerous.

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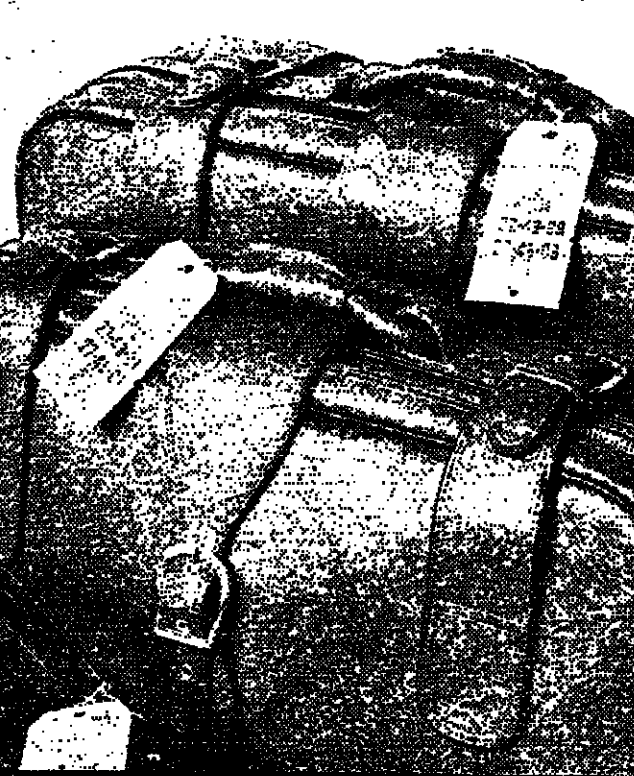
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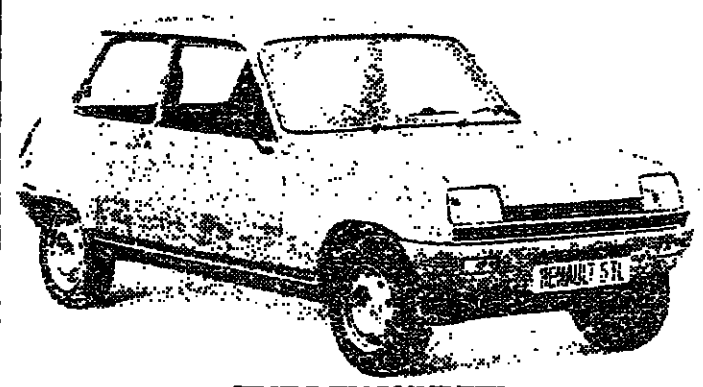
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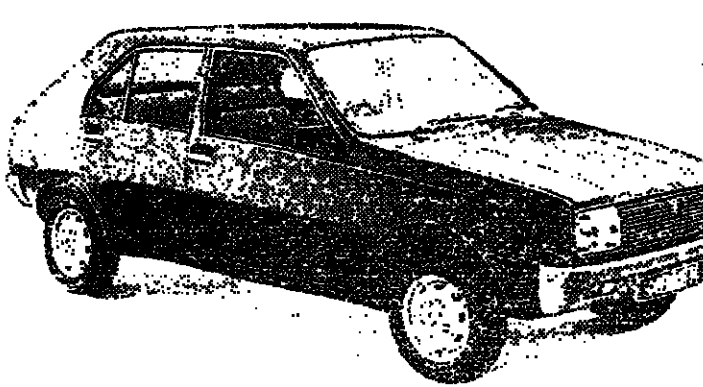


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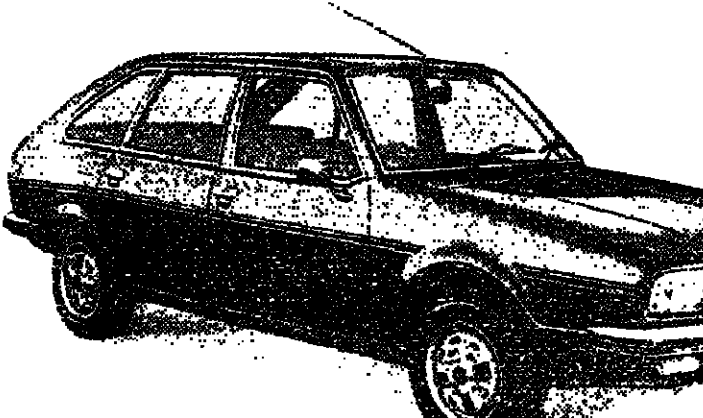
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RENAULT LEASE







# Kent Opera at Eastbourne

by MAX LOPPERT

The best of Kent Opera productions have a dominant quality in common: a directness of style based equally on musical and on dramatic scrupulousness. Two such productions, *Rigoletto* and *The Return of Ulysses* (both given in English) form the major part of the repertoire (completed by *The Seraglio*) being taken around the south of England on the company's autumn tour. (This began last week at the Congress Theatre, Eastbourne; its subsequent stopovers include Paignton, Southsea, Bath, Reading and Canterbury.)

*Rigoletto*, produced by Jonathan Miller and revived for the first time since 1975, is a notable example of the Kent Opera style at its most admirable. This producer has updated the time of the opera from the 16th century to 1881—the year in which it was first performed. The disadvantages attendant upon time-shifts of this kind have been well aired, and often instanced; yet because of the shining intelligence and tact with which the transformation has been achieved, the obvious gaps in logic are few, while the dramatic pressures in Paves's libretto have been strongly reinforced by the pseudo-Victorian ethos.

From the opening, it soon becomes clear that the essentials of Verdi's opera have been respected—indeed, they lay the foundation of the production. The characters have been created out of the music, rather than remodelled against the grain of it, in support of some directorial thesis. There is menace in the opening scene, its courtiers in evening dress gathered into sinister groups against Bernard Culshaw's spare scenery; a chill is sent through the house by the first appearance of Sparafucile, a Jack-the-Ripper figure in top hat and turned-up collar. These are only two of the gains of the production, moments of truth and dramatic sharpness usually hard to win in the usual picture-book settings. But it is the dramatic nerve-centre of the opera, its trio of central relationships, that most concerns the producer, and he has laid it bare with an almost painful simplicity.

Roger Norrington's return to the score as Verdi wrote it, no less of a revelation, every note is there in its original form, without the Schlemmer of traditional theatre cuts or additions of decorative high notes to the vocal lines. This approach



Jonathan Summers and Meryl Drower in 'Rigoletto'

is not only apt to the drama as it is here played; it is a triumphant demonstration of that tightness of musical-dramatic thinking in the score which Julian Budden has called a "density of invention so organised as to cheat the clock." As conductor, Mr. Norrington was inclined to rush parts of Friday's performance, and he did not often bring to the accompaniment the breathless quality, the easy unfolding of the singing line, which one recognises as "vocal" conducting. One was made uncommonly conscious of careful orchestral

articulation and balance, of internal details that usually escape the ear or else are smoothed over by less meticulous batons—the absence of a pit allied to the unwavering acoustics of the Congress Theatre, no doubt heightened orchestral detail. At its best, for most of Act 3 and all of Act 4, Mr. Norrington's conducting evoked a dramatic intensity and directness that were essentially to the effect of the performance as a whole.

Jonathan Summers' account of the title role is perhaps less of a surprise now than it was in

1875, when the young Australian baritone was first making his mark on the British operatic scene, but it has surely lost nothing in its animal intensity and has gained much in the singer's increased discipline over his splendid vocal resources. Few young singers so naturally command the large scale of operatic acting; Mr. Miller has eloquently tamed it to the style of his production and the result is at times unbearably moving—this discovered eccentricism with the stained waistcoat is given to memorable and terrifying rages of despair. Meryl Drower, a tiny Gilda with a waif-like sweetness of manner, sister to all the down-trodden daughters in Dickens, and with a very individual, slightly plaintive vocal timbre, and David Hillman at his most charming and vocally secure as the Duke complete a trio of principals whose playing-together could hardly be matched for truthfulness and unshowy precision.

Watching and hearing the Kent Opera *Ritorno d'Ulisse* after the Ponnelle-Harnocourt-Monterverdi carnival at the Edinburgh Festival this year is like being scraped clean and everything is right. There are weak voices in the cast (notably among the Gods: Juno is a screacher). There are quirks in Norman Platt's production, and a profusion of tasteless, colours in Digby Howard's costumes (it was a particularly unhappy idea to dress Neptune up as a marine Carmen Miranda). Yet the strength of characterisation conveyed in a whole host of warmly rounded portrayals, notably Anne Paschke's bright-eyed Minerva, Wynford Evans' gentle Eumaeus, Enid Harle as a dignified Nurse—shows that the production has understood and got right what is most important and most wonderful about the opera.

Roger Norrington draws from his small ensemble of "authentic" instruments, a superbly passionate and pure style of playing: operatically full-blooded (and the conductor occasionally lends his own singing voice to the proceedings), yet always as if it should be dictated by the movement of the vocal lines. And, to crown the riches of an evening filled with beauty, colour, and gentle human warmth, there is an infinitely touching Penelope in Sarah Walker, whose noble bearing, unfailingly vivid diction, and brave vocal colouring lend the whole performance a special distinction.

Sadler's Wells

## Semele

by RONALD CRICHTON

Handel's *Semele*, with words by Congreve, is a glorious piece—witty, dynamic, full-blooded. Since the rediscovery for today's public of these musical and dramatic riches was largely due to earlier revivals by Handel Opera, one should suppose he charitable about the present effort, the second production (seen on Friday) of the current season at Sadler's Wells. In spite of financial stringency the Society manages to cast a net fairly wide into operatic waters to catch producers, designers and singers. One must forgive an occasional stumble. All the same, the masterpiece is botched not by too radical or original an approach but an inept, superficial and insensitive one, must not be smoothed over.

This *Semele* in fact is a revival of a production by Leif Söderström first seen (though not by me) a few seasons ago. Good things first. Teresa Cahill sings the title-role. Her *Semele* is warm-eyed, dimpled and catamane-voiced—a girl for whom the whole of existence (carried into eternity if possible) is a box of chocolates and a downy bed. Sometimes Miss Cahill smudges Handel's line but by and large her singing charmingly expresses the sensual side of human nature which Handel understood so well.

Then comes Anthony Rolfe Johnson, who deserved the cheers he drew for "Where'er you walk," and also deserves to have been given more effective entrances and consuming climax. Sally Presant, doubling as Juno, sister-in-law with Juno, is detestable. The costumes by the former, but the vengeful goddess is as yet beyond her. Miss McDonnell as Cadmus and John York Skinner as Athamas help to give the Theban scenes some credibility.



Teresa Cahill

Leonard Burt

They need it with human statues of Jove and Juno bobbing on their plinths and the chorus garbed school-play classical. Things are worse out of side Thebes and up in the Heavens. Here 18th century pastoral is printed out in pinks and blues. There are striking cupids with boudoir bows, one to dance and one to sing, both detestable. The costumes by Alison Stewart Richardson rely heavily on masks, apparently derived from post-war Coteau films. Congreve's satiric times are so feebly delivered that when they are audible they draw

All the chorus was happiest in the big finale to Acts 2 and 3, two places where one is reminded that *Semele* was not originally given in dramatic form—the choruses were additions to Congreve's libretto. What can be done to rescue a jewel of a work? Glyndebourne, where there are British producers who would understand the style, is one obvious answer. Or, since Covent Garden and the Coliseum are too large, the regional companies, who play in medium-sized theatre, somehow *Semele* must be firmly and comfortably placed in the repertoire.

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Wigmore Hall

## Messiaen celebration

by RONALD CRICHTON

In a few days' time all France will begin to throb with celebrations for the 70th birthday of Olivier Messiaen. For once, in a modest but not ineffective way, we seem to have got it first. On Thursday at the Wigmore Hall, John Woolf, using expert but numerically mismanaged forces, presented a programme of two of Messiaen's major works, the song-cycle *Harawi* and the *Visions de l'Amen* for two pianos. The artists were the soprano Noelle Barker, Robert Sherlaw Johnson and Thomas Rajna. The hall ought to have been fuller, but the audience included a significant number of composers, frequent enough to make one sit law Johnson know *Harawi* thoroughly. One could think of singers more powerful, who might give certain aspects of the music greater crystalline clarity. They were unlikely to make the overall impression so strong, true and satisfying, in a way that still comes too rarely in performance, as contemporary music, facets—to achieve the voice part of *Harawi* really simplicity of thought and form needs a "falcon," a dramatic soprano with an extended range, as unshakeable faith.

The original interpreter, Marcelle Buniet, was a Wagnerian and also a Valentin (in Les *Huguenots*), one of the original falcons right. Miss Barker's voice remains bright and fresh at the top. The lower register is not John Woolf, using expert but numerically mismanaged forces, presented a programme of two of Messiaen's major works, the song-cycle *Harawi* and the *Visions de l'Amen* for two pianos. The artists were the soprano Noelle Barker, Robert Sherlaw Johnson and Thomas Rajna. The hall ought to have been fuller, but the audience included a significant number of composers, frequent enough to make one sit law Johnson know *Harawi* thoroughly. One could think of singers more powerful, who might give certain aspects of the music greater crystalline clarity. They were unlikely to make the overall impression so strong, true and satisfying, in a way that still comes too rarely in performance, as contemporary music, facets—to achieve the voice part of *Harawi* really simplicity of thought and form needs a "falcon," a dramatic soprano with an extended range, as unshakeable faith.

A good performance of *Harawi* is a concert in itself. To have the *Visions* as well as well-differentiated piano tone, one thing that emerged from both works was Messiaen's ability, over and above the immense complexity of the components of his style—of which exotic rhythms and bird song are two obvious ones—to achieve a final harmony of thought and form, a dramatic soprano with an extended range, as unshakeable faith.

Festival Hall

## CBSO/Downes

by ARTHUR JACOBS

London does not yet have a Mahler symphony a day, but can such congestion be far off? Between the performances of No. 5 on Thursday and No. 7 yesterday afternoon, both from the Philharmonia Orchestra under Lorin Maazel, the City of Birmingham Symphony Orchestra under Edward Downes, stepped in neatly on Friday with No. 6 in A minor. Mr. Downes being himself Birmingham-born, there must be speculation on whether a native son will shortly succeed to the musical directorship suddenly vacated by Louis Premaux.

Mr. Maazel apparently considers that one of Mahler's longer symphonies suffices for a concert. Mr. Downes and the Birmingham management have older notions of generosity to audiences and prefaced the symphony by Wagner's *Five Songs to Poems by Mathilde Wesendonck* with Heide Demeesch as soloist. Unfortunately, for all her Wagnerian operatic experience, she had evident difficulty on high notes and gave

an insufficiently varied delivery of the words even on lower notes. Short-breathed, she sometimes failed to grant Wagner's phrases a sufficient span. Mr. Downes tackled Mahler's 70-minute symphony without swoons or sentimentality. Nor did he seek a smooth sensuality of tone which, probably, this orchestra could not give. After London orchestras, its strings sound a little rough. But the melodic well shaped, the impulse well co-ordinated, the energy flagging to the end—when the solemn quartet of trombones made a notable contribution.

As always in this symphony, an added visual effect was given by the wielding of a huge hammer (Mahler stipulates a heavy but non-metallic sound) at climaxes of the finale. More persistent in the score, however, and more distressingly obtrusive, are the sheep bells. I keep hoping that some Siegried of a conductor will arise with the courage to eliminate this non-musical jangle, but Mr. Downes is evidently not the man.

Adelphi

## Beyond the Rainbow

by B. A. YOUNG

First a Jewish musical, then a Catholic musical, *Beyond the Rainbow* comes from Italy, and is full of Catholic jokes, sly digs at God, harmless blasphemies, mockery of the Cardinals. There is a village girl in love with the priest. The mayor is an atheist. The formula is well-tried, and succeeds here as well as anywhere.

If I complain that it is all too naive, I am putting my own preference before that of the array of managements who have clubbed together to put it on. It is meant to be naive. The story, adapted from an English novel, tells of a visitation from the Almighty, who calls up Father Sylvestro on the phone and tells him that there will be another flood next Friday, he must build an ark and arrange to have all the villagers ready to sail. I need hardly go further, except to say that everything ends happily, though not so happily as it looks at one time as if it might, when God (whose voice we are allowed to hear) says indignantly that the doctrine of clerical celibacy is directly contrary to his teaching, and if the Father wants to make love to little Clementina, he should do so at once.

Father Sylvestro is played by

Johnny Dorelli, an Italian pop singer who made a hit with a song called "Volare." He is a pleasant actor, and sings like Perry Como. He kept in check the impatience that might have afflicted me with a less likeable performance in the part. Roy Kinnear is the atheist mayor; if you have liked him in other parts you will like him in this, which has little to offer. Clementina, his daughter, is played by the pretty and rueful Lesley Duff. There is a sub-plot for Toto a boy believed to be impotent until the arrival of Consolation, a girl that can't say no. Geoffrey Burridge hardly fills out Toto, and Janet Mahoney plays Consolation strictly according to formula.

The songs by Armando Trovatioli have the kind of music that sends you out humming the tunes from Oklahoma! and lyrics by Leslie Bricusse, which are abysmal. Gino Landi's choreography has more movement than grace, but is lively enough. The star of the evening is Giulio Coltellacci, whose sets of untrained untrained glide around on a double concentric revolve, to come to rest as a church or a rectory or even an ark.

The director is Pietro Garinei, who with Sandro Giovannini and writer Iala Flisari are the creators of the show.



Lesley Duff and Johnny Dorelli

Criterion

## Gloo Joo

by MICHAEL COVENEY

Michael Hastings' very funny comedy, first seen at Hampstead, is now happily encoined at the Criterion. Oscar James is much improved as Meadowlark Warner, the black resident of Brixton who suddenly finds himself unloved by a pair of immigration officers. The play is propelled by Meadowlark's wit and inventiveness as he wriggles free from one tight corner after another by the exercise of sheer nerve.

Meadowlark has nothing to declare but a sackful of woolly-tops which he sells to football supporters at either end of the ground. This unaffiliated opportunity is an echo of his private life, where Irish Irene (Heather Tobias) is for a wedding partner for as long as the threat of deportation hovers and until his real fiancée, Edna (Akosua Busia), dies in Guyana. There is much to enjoy in the mechanics of Mr. Hastings' con-

struction. The officers themselves are, arguably, aliens of a sort. Radinski has Polish Jewish ancestors and his senior Raymond Meadowlark accidentally procures the services of a progressive rabbi for the marriage ceremony in the Catwalk immigration lounge, but inspiringly passes himself off as a member of the Temple of Nimrod and the Holy Black Redeemer. The officers are sworn in as witnesses, the woolly-tops pressed into service as skull-caps, the couple toasted in cheap South African sherry.

Michael Rudman's production is slick and fast-moving, very good at pointing up ironies of racism and prejudice while preserving the delightfully topical aspect of Meadowlark's free-wheeling disposition.

Dave Hill and Antony Brown are the officers. Mr. Brown's is a gem of a performance, stumbling into unsolicited handshakes and bureaucratic grey areas with uncluttered and (to him) painful regularity.

Wigmore Hall

## Bartók String Quartet

by NICHOLAS KENYON

The first bar of Beethoven's first published string quartet—but it might have been from one of his most mature works, so forcefully was it projected by the Bartók Quartet on Friday night. Every unison note perfectly tuned, phrased with identical purpose and sense of direction, the sound was such as to make one sit up and wonder how long it was since a real string quartet had been heard in the Wigmore Hall.

The rest of this utterly compelling performance confirmed the promise of that bar. There was not a touch of the skittishness with which some quartets invest early Beethoven; every note had weight and significance and the accumulated tension in the long, rhapsodic slow movement was almost unbearable.

Neither was the playing merely gritty, though. One can hear Bartók's Right Quartet, played with tolerable accuracy, in a supposedly appropriate acerbic manner by a dozen or more quartets, but this group delivered the real thing—a powerfully rich

and resonant account of the work which sacrificed nothing in tightness and coherence in search of a deeply expressive approach to even the work's most violent passages.

Between the fierce concentration of Beethoven and Bartók, the English lyricism of Vaughan Williams' "On a Moorland Edge" created a seemingly endless expanse of space for meditation. Hornsman reportedly disliked the optimism in which the BWV transformed his world-weary verses, he might have been won round by Ian Partridge's yearning, unstrained singing of this original version (with string quartet and piano accompaniment). He rose purely and clearly above the instrumentalists in "Brogan Hill," the beautiful play between quiet string and piano chords made one wonder why the instrumental version is so often preferred.

The Bartók Quartet will return to the Wigmore Hall for Beethoven's "The Moonlight" No. 2 on Sunday November 26 and will be joined by Peter Frank and Keith Marjoram in Schubert's "Trout" No.

## ENTERTAINMENT GUIDE

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**COLISEUM.** Credit cards 01-240 5258. 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## FINANCIAL TIMES

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Monday November 13 1978

## The tide of competition

OVER the past year there has been a spectacular move from regulation to competition in the U.S. airline industry. For the first time in their history airlines are being encouraged to decide for themselves which routes they want to fly and what prices they want to charge. This new situation, stemming largely from the efforts of Mr. Alfred Kahn, former chairman of the Civil Aeronautics Board, brings profit opportunities, but also severe competitive pressures; the companies are forced to examine every possible means (including mergers) of making themselves more efficient.

## Uncertainty

The wind of change from the U.S. is already affecting the international airline business. Even without Mr. Kahn's influence, the pressure for lower fares has led to a number of important changes, particularly on the North Atlantic route. Extensive reforms have been proposed in the rules of the International Air Transport Association. But there is still disagreement, and uncertainty among airlines and governments as to how far and how fast the process of de-regulation should go. This is the central issue for discussion at the IATA annual meeting which opens in Geneva today.

In his annual report the director-general of IATA, Mr. Knut Hammarstrand, warns of the danger of confrontation, as the Americans seek to impose their free trade convictions and even their anti-trust laws on the rest of the world. The Americans, he points out, are calling for increased competition, multiple designation of carriers, liberalisation of charter operations, no capacity constraints and "market-place pricing" with minimum government involvement. One of the by-products might be the final elimination of the "much blurred distinction" between scheduled and charter services.

Earlier this year the CAB issued a tentative order which, if made final, would remove the anti-trust exemption now enjoyed by the IATA traffic conferences. Once the anti-trust laws are brought into play, Mr. Hammarstrand suggests, they could be deemed unilaterally by U.S. courts to extend to any co-operative actions of airlines, even if not directly affecting traffic to and from the U.S. In the meantime the Americans are seeking

## Co-ordination

The interests of consumers will not be served if governments try to protect inefficient national airlines from the tide of competition. Equally, however, a crude U.S. attempt to export its anti-trust laws is unlikely to be helpful. The American objective of greater competition is certainly right, but in the international market even inter-company co-ordination is unavoidable. What is needed, despite philosophical differences and commercial rivalries, is for the U.S. and other governments, at least in the industrial countries, to agree now on what form the co-ordination should take.

## Mr. Dell will be missed

IT IS A wholly excellent practice—more honoured in other countries than in Britain—that people should move from industry and commerce into politics, and vice-versa. In that sense, the resignation of Mr. Edmund Dell as Secretary of State for Trade in order to take up a senior post at Guinness is not entirely to be regretted. Mr. Dell should have a good deal to offer to a group that has fair prospects of expansion, and there is no reason to think that he will necessarily go out of public life altogether. It is also true that he is demonstrating that the movement can be a two-way process. Mr. Dell has been a Member of Parliament since 1964; before that he worked for ICI. It is a not inconsiderable achievement to have risen towards the top of the Cabinet within such a short period, and still to be able to look forward to a major career elsewhere.

It is the exceptional nature of the case, however, that raises the question. The movement the other way round—from industry or commerce into politics—is not great, and it is even more unusual in the Labour Movement than it is in the Conservative Party. It seems unlikely therefore that Mr. Dell's loss will be compensated by someone moving into politics from the outside for the first time. There may be a two-way street, but the traffic is very uneven.

## Experience

Mr. Dell also occupied a special position in the Labour Party, and in the Cabinet. It was not just that he is an intellectual and a moderate—Labour is not especially weak in either of those suits. It was rather that he had experience of business and the City, as well as international trade. In a way that is not common in the Labour Party as a whole. Such qualities are needed in any Cabinet, and they will not be easily replaced. Yet what he evidently thought he lacked was any basis of grassroots support: there was not a single group

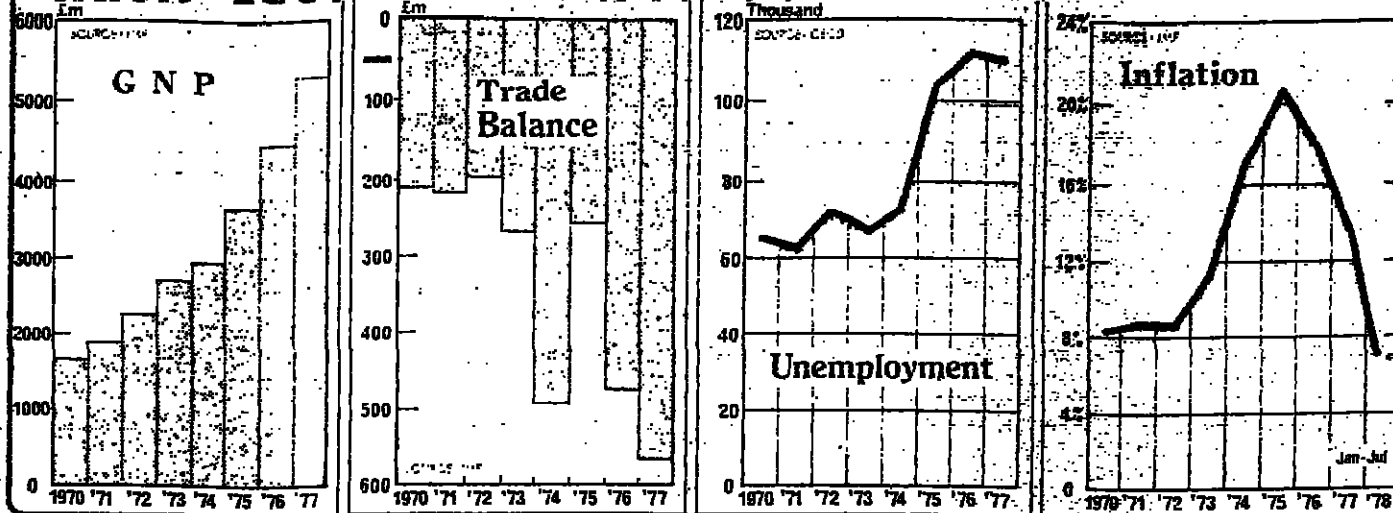
## Interchange

It remains, however, that there is no one directly to replace Mr. Dell, and until there is greater interchange between industry and politics, this kind of gap will remain. There is no reason to believe that he resigned for financial reasons or that he had become more than usually disillusioned with the political system. Yet for those who may be contemplating a move Westminster these could still be formidable deterrents. MPs and Ministers are too badly paid to make the move attractive, even allowing for the fact that there probably should be some sacrifice. Too much of the Ministers' time is taken up heading off extremists from their own party. If Mr. Dell was depressed by some of the wider antics of the Labour Left, who can blame him for feeling that he might be more effective elsewhere?

## Why the 'supersnake' has Ireland in its spell

BY STEWART DALBY, IN DUBLIN

## IRISH ECONOMIC INDICATORS



WHEN IN DUBLIN, it is easy to appreciate the outward appeal that the proposed European monetary system (EMS) holds for Ireland. Irish chauvinism towards Britain goes back centuries and runs as deep as the North Sea oil wells.

For many years, Irish nationalists have been looking for a way of breaking the monetary union that links the Irish pound and sterling, and the creation of the EMS would appear to present an ideal opportunity—particularly if Ireland joins and the UK does not. But despite Ireland's determination to go ahead, regardless of Britain's decision, the Dublin Government is still hoping that both countries will join together.

In strictly economic terms, the Irish Government is fully aware of the dangers if the two currencies' exchange rates are allowed to diverge. Ireland still does nearly 50 per cent of its trade with the UK, and on Thursday night in London, Mr. George Colley, the Finance Minister, told Mr. Denis Healey, the Chancellor of the Exchequer, that he would prefer the rates to remain fixed. Both countries realise that exchange controls would have to be introduced to keep the pound and the Irish pound apart from the trade consequences, if the two currencies are to be detached from each other. Mr. Colley points out that one result would be to make Irish pound notes unusable in Northern Ireland and the rest of the UK and vice versa.

The general opinion in Ireland, although Mr. Colley will not admit he shares the view, is that the Irish pound would, at least initially, appreciate against sterling if Ireland joined the system and Britain stayed out. The Irish are concerned at the harmful effects this would have both on their tourist and their trade balance with the UK. This year UK exports to Ireland, at £1.13bn, are running £259m ahead of Irish exports to Britain.

But whatever the nature of Irish sentiment towards cutting Ireland's pound free from Britain's, Irish membership of the system would not mean that Dublin would at last gain control of its own monetary policy. Rather, it would be switching from one system which Ireland feels has outlived its usefulness to one in which the opportunities for growth are perceived as being better.

In other words, Ireland wants to hitch its wagon to what it considers to be the strongest engine—the economies of mainland Europe—and decrease its dependence on the economy of Britain.

The added attraction of the EMS to Ireland is that it would be a further step along the path towards integration with Europe—a path which has productivity on the broad already brought Ireland great definition of output per man rewards in the higher prices it increased by as much as 12 per

cent in some areas of east Ireland last year.

Even before Ireland joined the EEC in 1973, however, the process of encouraging export-led industrialisation had begun. Ireland's Industrial Development Agency is empowered, to offer grants of up to 60 per cent of the capital cost of projects in the west of the country (45 per cent in the east), plus training grants and loans. In harness with the Export Board, another state agency, the IDA was instrumental in securing faster growth of manufactured exports in the late 1960s.

But again, it has been membership of the EEC which has given manufactured exports a real boost, because it has meant an influx of large foreign companies initially attracted by both the ready availability and the relative cheapness of Ireland's labour force. In the past few years, labour costs have risen to the point where they are now drawing level with the UK, but Ireland's record on stoppages and man days lost is historically better and has only recently shown some signs of deterioration.

## Advantages to investors

One advantage that it has been able to offer to overseas investors, however—the absence of taxes on exports from Ireland—is actually prejudiced by Ireland's membership of the EEC. Ireland has undertaken to end the exports tax holiday by 1990 in deference to the Brussels view that it runs counter to the spirit of the Treaty of Rome. But Dublin Ministers feel they can compensate for this loss by other means, one possibility being the abolition of corporation tax, currently imposed at the same rate as in the UK.

Overall, exports have increased nearly tenfold since 1968. Over half are now manufactured goods and 47 per cent of total exports now go to the UK, compared with 63

per cent 10 years ago. Other Common Market countries take the lion's share of the remainder.

But if Ireland is currently growing rapidly, the big question is how to keep the process going. The answer of the Fianna Fail Government has been to boost spending under a plan drawn up by Dr. Martin O'Donoghue, the Minister of Economic Planning and Development.

To date the government has scrapped road tax on vehicles under 2000 cc. It has abolished domestic rates and it has raised tax allowances for both married couples and single people. The measures have added something like £100m to the Government deficit.

It has also kept up public spending, as well as holding only the loosest of reins on credit and money supply, although its control over both is limited because of the nature of its financial links with Britain.

Dr. O'Donoghue said recently that credit could expand by 20 per cent in 1978 while remaining consistent with inflation and growth targets. One large bank's research unit has produced figures which suggest that credit for personal loans has increased by 46 per cent so far in the current year—a trend which prompted the central bank a month ago to ask the commercial banks to start applying the brakes.

The lack of control on credit has seen imports soar, and this impinges more than a little on the problem of Ireland's vulnerable balance of payments situation and whether it could maintain the chosen parity of its currency within the EMS. The country always runs a trade deficit, which to date has usually been covered by capital inflows. Through a trade deficit of £400m is projected for this year, it will easily be covered by capital inflows, and reserves are now up to nearly £1.1bn. But a similar situation cannot be guaranteed for the future.

The government has asked for £650m in extra aid from the EEC as its price for joining the

future he admits that this will mean curbs on some social and welfare spending and no growth in other areas of public expenditure. But in the long run, he sees borrowing also being out as the result of higher government revenues from Ireland's expanding industrial base and from a widening of the personal taxation net.

The model possesses some plausibility, but apart from the problems posed by Ireland's balance of payments situation there is also the consideration that, with unemployment slashed, it might be difficult to ensure that labour costs do not get out of hand and productivity gains continue. On the broad definition of output per man this has been rising in recent years by 6 per cent per year.

There have been a number of successful national wage agreements covering some 70 per cent of the workforce. The last one provided an overall package of 10 per cent, which was slightly below the rate of inflation. This year's agreement is in the process of being negotiated. Although the negotiations are taking place against a background of numerous strikes, the Government is hoping that, with inflation having fallen sharply so far this year to 7 per cent, a 5 per cent pay increase might be arrived at.

Even ten years ago, the first-time visitor to Ireland could easily imagine he was being back in time by 50 or 60 years.

Today Ireland is bustling and prosperous. Large chunks of Dublin have been ripped out for office block development. The streets are congested with cars. Department stores are full of Japanese stereos and trendy London furniture. The city centre has pizza houses, hamburger joints and neon signs galore.

The change is even more marked in the country. The number of new bungalows replacing the more aesthetically pleasing thatched cottages, is astonishing to anyone making a return trip after a decade. The new houses, moreover, always appear to have a new telephone or at least a flat top. To their garages and a new tractor in the drive.

The new prosperity has its attendant problems: land and house prices have shot up in the past few years, and prime agricultural land now fetches up to £3,000 an acre—more than in the UK. House prices along the eastern seaboard have increased by nearly 50 per cent during the past 18 months.

But, at least for the moment, the Irish are problems with which they are prepared to live. For the fact remains, that thanks in large part to its membership of the EEC, Ireland now possesses something which has eluded it for centuries: a fair degree of prosperity and, at least, a reasonable prospect of more to come.

## MEN AND MATTERS

## Trading for a future

There could hardly be a greater contrast between the styles of the two Secretaries of Trade. Edmund Dell is quiet, keeps himself to himself and a Londoner who lives in Hampstead Garden Suburb; he was a history don at Oxford before moving to ICI. His successor is ebullient, slightly roly-poly and a Scottish advocate who has been based in Edinburgh.

At 40, John Smith becomes the youngest member of the Cabinet—another for the Club of Great White Hopes who have their eyes on Number 10.

He was at a grammar school in Dumfries down the Clyde, but anchored firmly in the mainstream of Labour politics, is far removed from the Red Clyde of the 1920s. He is ambitious and middle-of-the-road, which perhaps contributes to the way that even Tories north of the border concede that he is one of the more able figures recently produced by the Labour Party in Scotland.

At university in Glasgow he won the Observer's prize in that paper's student debating competition—as did Donald Dewar who held Garscadden for Labour this April. Westminster attracted Smith twice. He fought East Fife without success, was lucky not to be nominated at Hamilton in 1967 when Winnie Ewing swept the Scot Nats on to the front pages, and reached Westminster via North Lanark in 1970. He was quickly picked out by Wilson. His ability to master a subject impressed civil servants at the Department of Energy where he served as a junior minister for two years. But he made his reputation with the devolution Bills.

Foot had little stomach for his miniature of the Bills' progress. The tenacity with which Smith, his deputy, picked up the shambles of the first ill-

fated Bill and saw its successors through endless all-night sittings probably owed as much to his linking the issue with his own political future as to his devotion to constitutional change. In fact he had been grooming himself to enter the Cabinet as Secretary for Energy, but the Prime Minister was not willing to confront Anthony Wedgwood-Benn. Dell's progress to Cabinet a decade earlier had been rather more sedate. He first made his name on the backbenches as one of a trio comprising Joel Barnett and Robert Sheldon, both now at the Treasury. But despite his string of jobs politics never seemed to grasp him as it did others from the class of '64. To many he seemed less suited to Westminster than to Whitehall.

After the Labour defeat of 1970 Dell was somewhat surprised that no company approached him. He had, after all, senior management experience at ICI and ministerial experience—just the sort of background that business mops up among Tory politicians. Guinness Peat came to the rescue before the 1974 elections. Now the man who was once Boys' Chess Champion of London has decided to check his political career completely.

## The 1000th wife

Egypt and Israel have it seems, already concluded one peace agreement. But if there were no Nobel Prizes at the time the pact was reached in 1970 BC there were also some results of the agreement which are unlikely to be seen today. The agreement was between King Solomon and the Egyptian Pharaoh Siamun of the 21st Dynasty. It was signed after the Egyptians had recovered some of the land conquered by Solomon's father, David. In a move which conjures up all sorts of intriguing potential for modern parallels, Solomon sealed the agreement by taking

a daughter of Pharaoh as one of his 1,000 wives. However, land more by boredom than by the unusual hours of life at sea. Minister. Yigael Yadin, has recently assured a conference of Biblical scholars: "There is no secret provision in the Camp David accords which calls for parallel action by the Prime Minister."

But sadly even such precautions by the signatories of 3,000 years ago make it an uninspiring precedent for Begin and Sadat. No further records exist of the Pharaoh's daughter, indicating that she was never an important wife. Nor is there any record of contact or commerce between the two countries before the 21st Dynasty collapsed and its successors first fomented unrest in Solomon's empire and then invaded.

## In the doldrums

Captain Michael Willoughby is still lacking a fair wind for his plans for Britain to lead a new era of commercial sailing ships. His hopes of obtaining backing for a £5m plan to build a prototype have just been scuttled by the Department of Industry's Ship and Marine Technology Requirements Board. He had designed a five-masted, square-rigged barque with the same cargo capacity as the popular 15,000 deadweight ton SD 14 motor ship. But the committee told Windrose Ships, for whom Willoughby designed the ship, that it would not be commercially viable.

Willoughby himself is certain that the ship makes sense. He says that on the UK-Melbourne run its voyage costs would be up to 25 per cent lower than those of a comparable motor ship. He admits it would take around 12 per cent longer to arrive but argues that it would stir the hearts of all concerned with glorious 23-knot sprits. It would also, he says, put an end to the alarming growth in the turnover of seamen and fliers

who are being driven back to land more by boredom than by the unusual hours of life at sea. One of Windrose's directors comments: "Put a man straight on a big tanker and he is 80 feet above the water and, living in air-conditioned accommodation, doesn't even know the smell of the sea."

It is such points which make Willoughby confident he will eventually find a backer for his steel-hulled, synthetic-sailed dream. Apparently 26 countries now have large sailing vessels, because these better teach the basic arts of seamanship.

Seafaring Britain is not among these and Willoughby hopes that Industry Secretary Eric Varley might choose to ignore his committee's advice. If not then the former master of a 400-ton square rigger says that there is interest abroad, not least from that erstwhile "saviour" of British shipbuilding, Poland.

## Post dictum

From "Hoover's FBI" by William J. Turner: "The Director (J. Edgar Hoover) is fond of putting pungent notations on the borders of memorandums. Once he was taken by a memo that left little room for his scrawlings. 'Watch the borders,' he wrote in his characteristic green ink. Uncertain of what he meant and afraid to ask, officials carried out the dictum to the letter. For over a week agents were staked out along the Canadian and Mexican borders, unsure what they were watching for."

## Musical ride

A reader tells me that when, with violin case under his arm, he asked a taxi to take him to the Albert Hall the driver said: "How would you like it? Largo or molto allegro?"

Observer



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## FINANCIAL TIMES SURVEY

Monday November 13 1978

Türkiye

Optimism  
despite  
many  
problems

By David Tonge

SOCIAL PEACE, a change of order, and a country respected in the community of nations—these were the elements of the "bright future" held out last year by Mr. Ecevit in the election campaign. But since he came to power at the New Year much of this vision has receded over the horizon. The death toll in political violence has doubled: over 600 people have been killed since January. The "change of order"—loosely defined social reforms—has had to be deferred as the Western financial community has obliged the country to take a series of bitter measures.

Abroad, it is still perhaps the early for the Government's initiatives to have yielded but years old; that its inheritance limited returns. A sense of movement has at last been imparted to Turkish foreign policy but, with the important exception of some improvement in military relations with the U.S., few of the birds have yet come home to roost.

As the snows sweep in over the vast Anatolian landmass the prospect is thus a bleak one. Unemployment is more than 20 per cent. Prices are rising at an average of five per cent each month. Factories can only work at half capacity. There are shortages of fuels, raw materials and, of course, foreign exchange. It has reached the point where Turkey is even out of Turkish coffee. But despite all this, in the midst of their woes, the Turks retain a growing faith in their future. Growth, internal migration, has overtaken them all. They are all convinced, will strained the cities. The shacks resume and, what is more, around them now house over under a still democratic regime, half their populations.

The country is now coming out of the trough, they suggest. Debt restructuring is proceeding, the slums, so there remains a business confidence. It is a divide between the developing beginning to pick up, at home west of the country and the de-

and abroad. And they trust that 1979 will be far better.

"Turkey is a beehive of activity. The soil is alive. A movement which none can stop is in motion," says the opposition leader, Mr. Süleyman Demirel. Like other Turks he stresses the recent 7 per cent annual growth of the country and its huge resources—its agricultural the Western financial community has obliged the country to take a series of bitter measures.

Coupled with such claims Turkish Republic is a mere 55 years old; that its inheritance limited returns. A sense of movement has at last been imparted to Turkish foreign policy but, with the important exception of some improvement in military relations with the U.S., few of the birds have yet come home to roost.

## Stimulus

There have been two slight spills on the way, with the military feeling obliged to step in both in 1960 and, more discreetly, in 1971. None the less, in a way rare among developing countries, it is through economic stimulus rather than political coercion that Turkey has started and, of course, foreign on the painful course of its exchange. It has reached the point where Turkey is even out of Turkish coffee. But despite all this, in the midst of their woes, the Turks retain a growing faith in their future. Growth, internal migration, has overtaken them all. They are all convinced, will strained the cities. The shacks resume and, what is more, around them now house over under a still democratic regime, half their populations.

Just as there is a huge gap out of the trough, they suggest. Debt restructuring is proceeding, the slums, so there remains a business confidence. It is a divide between the developing beginning to pick up, at home west of the country and the de-

Despite a continuing economic crisis and a surge in political violence, most Turks retain a strong faith in the republic's future. A stable Turkey, as the eastern arm of NATO, is also an essential factor in world affairs.

## Turkey

prived east. The average urban income is four times the average rural income—and the east lags far behind this average.

The continuing rise in population is an integral cause of the strain. The growth has averaged 2.4 per cent in recent years, meaning that around the turn of the century Turkey could have the largest population in the Western European community which it aspires to join. But family planning services lag far behind the call for them and the health services are starved of funds and personnel—even if more attention is now paid to this sector.

The persistent failure to implement such measures as the long-promised land reform means that the lot of the village dweller remains a sorry one. There are a few projects which aim to improve matters. But change in the traditions of centuries and in particular the filtering in of outside values has only served to speed the flight from the land. Emigration is no longer the safety valve, however unsatisfactory, that it was. Instead the migration to the cities has provided part of the social base for the political violence.

Ten years ago the deaths of two students in an anti-U.S. demonstration shocked the nation. Today the death toll averages two each day—and the shock is to the visitor who finds that many Turks live expecting they or their friends could be the next victim.

It is a massive problem and one whose solution is little helped by the political parties' failure to agree on the causes.

While head of the Government, Mr. Demirel had as his coalition partner the Nationalist Action Party of retired Colonel Alparslan Türkeş. Today despite the irrefutable evidence of NAP members' widespread involvement in murders, Mr. Demirel refuses to blame the anarchy on anybody except the "communists."

With the NAP having infiltrated itself in the state machinery and the ultra-left groupings long meeting violence with violence, the task for Mr. Ecevit has been a huge one. Ever since taking office he has argued that the mounting death toll reflected desperation and frustration by the militants. But he has made some progress in bringing the security services under control. The British and West German advisers to whom he has turned have reportedly been "amazed" at the state in the Turkish police.

If this sector has been dispiriting for Mr. Ecevit so too has the economic situation. In this case as well his legacy was a bitter one. Just as Mr. Demirel had failed to stave off the economic crisis of the late 1960s so he again allowed Turkey to spend itself into virtual bankruptcy in the years 1975-77.

The cartoonists have depicted him as a reckless spendthrift but arguably it was weakness which underlay his policies, or rather the lack of them: his factious cabinet could never reach agreement on little was ever done. By the time Mr. Ecevit took over the only way left involved reaching an agreement with the International Monetary Fund.

The measures demanded by

the IMF have been classical—insistence on belt-tightening, austerity and balancing the books. But they have led to bitter resentment, both from the Turkish people, which has seen the prices of its basic necessities doubled or even tripled, and from the Government.

Mr. Ecevit's followers say that he fears the IMF's insistence on the fulfilment of all its demands will lead to his having the same fate as Portugal's Mario Soares. Their leader has called on the Fund to give more consideration to the political and social conditions of countries without having ulterior political considerations itself.

## Blockade

The belief that Turkey is being subjected to some form of economic blockade is in fact widespread. Just as the IMF is felt to be dragging its feet so are the Western banks, the EEC, and the OECD Aid-to-Turkey consortium. Less frequently heard are the harsher arguments. If Turkey had last year accepted the IMF's demands the situation might now have been brought under control, some bankers say. Others add that, however high the rates to be had from lending to Turkey, they do not want to do this merely to be faced with a fresh crisis in the early 1980s.

This feeling of persecution by the West arouses historic memories, of the capitulations imposed on the Ottomans, of the Allied occupation of Istanbul after the First World War, and of the way that the young re-

public had to labour for 31 years to pay off the Ottoman debt. For all the present interest in attracting foreign investment, foreign capital has always been treated with reservations.

Such disillusion coincides with the promotion of a new generation to head the civil service and armed forces—a generation which did not live through Stalin's territorial demands on Turkey, but which does recall the U.S. opposing Turkish military aid to the beleaguered Turkish Cypriots in 1964. With memories of the three-year Congressional arms embargo still fresh there is thus a strong tide of scepticism about the relationship Turkey has had with the West.

All this comes at a time when Turkey is developing its relations with Moscow.

But there is a tendency in the West to over-react to these developments. "Do we complain when Mr. Ecevit goes to Moscow?" Mr. Ecevit once replied when asked about his own plans. Neutralism is less on the cards than seeking to adjust to détente and to put some balance into relations with the West.

Philosophically, Mr. Ecevit is far more influenced by West than East. His followers dislike the term social democrat, feeling this has overtones of Marxism and call themselves "democratic leftists" instead.

Mr. Ecevit's party has now joined the Socialist International and he sets as one aim the strengthening of the economy so as to enable it to enter the EEC. He has allowed the reopening of U.S. bases in Turkey and is to negotiate a

new defence agreement with the U.S. Such is hardly the stuff of neutralism—even if Mr. Ecevit is attempting to have his cake and eat it by seeking acceptance by the non-aligned world too. But this, arguably, is also out of the desire to win more international acceptance for Turkey's stand on Cyprus.

As the Prime Minister who dispatched Turkey's "Peace-keeping Force" to Cyprus, Mr. Ecevit—or so the West hoped—would be the man best able to withdraw it. In the event he was quick to ensure the tabling of the Turkish side's long overdue proposals for a settlement. But the proposals were a harsh shock to those who had hoped they would mark a significant step towards positions acceptable to the Greek Cypriots. Equally, in the potentially explosive Aegean he rapidly arranged a meeting with his Greek counterpart and since encouraged a dialogue between the two countries. But he is also demanding that NATO should redefine the areas of military command responsibility in the Aegean. Turkey estimates that around 40 per cent of the area was put under Greek command in a mid-1960s adjustment. Now, or so the Turks say, Greece should only be allowed back into the integrated command of Alliance once this problem has been solved.

His style is thus very different from that of his predecessors. Turkey's positions may be tough but they are clear.

It is a measure of the hopes that Mr. Ecevit has raised that so many Turks should be disappointed now. Mr. Ecevit himself can hardly be described as cheerful, though he believes that the groundwork done this year must eventually lead to results.

himself can hardly be described as cheerful, though he believes that the groundwork done this year must eventually lead to results.

In this he appears to have the support of the armed forces who, having burnt their hands in the 1971-73 martial law period, are reluctant to be dragged on stage again. But he is attracting the inevitable criticism of the opposition.

On his left, the Turkish Workers Party, TIP, is disturbed at his recent arguments that even the slightest relationship with the left will reduce the chances of his Republican People's Party, wowing over the centre voter. The left believes that Mr. Ecevit has failed to make use of the support which he had from the numerous professional bodies and associations and which campaigned on his behalf believing him the only alternative to the fascist threat they perceived.

On the right, the fading forces of the strongly Islamic National Salvation Party are far less hostile to him than is his predecessor in office, Mr. Demirel. The latter is still smarting at the way Mr. Ecevit attracted a dozen of his deputies away last winter, giving them all ministerial portfolios. Now reconfirmed at the head of his party, Mr. Demirel is continuing his rightward course. He has won a mandate from his party to leave parliament if necessary.

He also retains his readiness to co-operate with the Nationalist Action Party—despite the failure of previous coalitions, despite the NAP's demands for martial law and its members' frequent violence and despite the lack of faith among the larger businessmen that such a coalition can manage the country's bureaucracy and economy.

The present coalition commands 229 seats in the lower house against the opposition's 217. The alternative "grand coalition" that of Mr. Ecevit and Mr. Demirel, is desired in some business circles and has been canvassed by some Western countries in the past. It is hard to see what this curious alliance could achieve and its chances seem remote. But matters could change, with one potential influence being if the Shah's position were to alter and political shock waves spread over the border.

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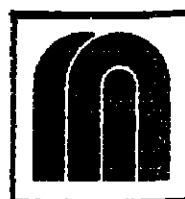
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## TURKEY II

# Struggles to avoid a long recession

FIVE YEARS ago for the equivalent of about £400 one was able to buy a 250 sq yd plot of land near the Turkish Aegean seashore. Now for the same amount, it is not even possible to buy curtains for a similar sized house. Inflation, which has been averaging 15-20 per cent in the first six years of this decade, shot up to 40 per cent in 1977. OECD statistics show that by the summer of 1978, the year-to-year rates of increase exceeded 50 per cent for the wholesale prices and some 70 per cent for the cost of living index.

These statistics are sufficient to illustrate the severity of the economic crisis and how formidable the problems were when Mr. Bulent Ecevit came to power in January this year. The other principal problems included a severe foreign exchange famine, a large deficit in the balance of payments, a heavy burden of external short-term debt, and high unemployment.

The roots of the crisis lie in the past and principally centre around two elements: high growth and rapid industrialisation, relying on tariff protection and public deficit spending and failure to adjust to the international inflation and recession which followed the oil revolution of 1973. It is possible to put the blame on political instability, governmental inefficiency, bureaucratic indifference and general economic mismanagement.

But apportioning blame and making historic analyses are fruitless. The principle question now is whether Turkey can prevent itself from slipping into an extended recession.

After coming to power Mr. Ecevit adopted an economic stabilisation programme and signed a stand-by arrangement with the IMF in April providing for a total of \$450m over a period of two years.

Simultaneously, work commenced on restructuring the short-term debt burden, which, since February, 1977, the central banks has found itself incapable of servicing. In the middle of 1978 there was \$7.2bn disbursed short-term debt, \$5.3bn disbursed medium-term debt and \$2.8bn undischursed debt. Considerable progress has been made in making the short-term debt medium-term, but the problem is far from being completely settled.

The objectives of the stabilisation programme, as explained by the Ministry of Finance were: "To restore balance of payments equilibrium, particularly by increasing export revenues, achieve a significant reduction in the rate of inflation, increase domestic savings and reduce unemployment."

The measures taken were the classical ones: a devaluation of the Turkish lira by 23 per cent against the U.S. dollar and subsequent readjusting of the cross exchange rate differentials, a tight budget policy, limiting the net assets of the central bank, reducing imports and the like.



Congestion of traffic in the overcrowded streets of Istanbul is the cause of long queues in places such as Taksim Square Bus Station

The impact of these measures cannot be expected to be immediate, and it is only over a period of time that their fruits can be collected. The fact remains, however, that at the end of the first six months of this year the Government had been unable to meet the target it set for itself in several important fields. Inflation has continued at a high rate and even accelerated with the overflow of "sock-inflation" from the last quarter of 1977.

The restrictive measures have contributed to a growth in unemployment which stands at 20 per cent is highest in the OECD. Fresh trade credits have been very inadequate and the foreign exchange bottleneck could not be broken despite the fact that the current account deficit was reduced by about \$1bn. The foreign exchange famine may have started a vicious circle effect. Shortage of imported raw materials and spare parts are cutting back industrial production, which in turn is decreasing exports and increasing unemployment, while the average utilisation of manufacturing capacity was 50 per cent in the second half of 1977. This rate has decreased further in 1978 due to depletion of stocks and inadequate imports.

The overall effect will be a reduction in that development rate which, at an average of about 7 per cent per annum over the 15 years preceding the crisis, was one of the highest in the world. The GNP rate of increase in 1977 was 4 per cent in real terms and will probably be just over half that in 1978. The Government anticipates a real growth of between 2.7 per cent and 3.5 per cent.

It is clear that Mr. Ecevit must take additional stabilisation measures and press on with crisis management. This has already been suggested by the IMF, the OECD and Turkish industrialists and businessmen. "An increase in foreign trade credits is badly needed," states a confidential OECD report, or the dangers of coming under

## Default

Under the terms proposed by the Turkish central bank for this borrowing any event which suspends of limits the Republic of Turkey's ability to utilise the resources of the IMF, including SDR facilities, would constitute a default by Turkey. Further, the availability of the second half of this facility would be conditional upon satisfaction of the criteria with respect to the third and fourth tranches under the IMF stand-by facility.

These undertakings put Mr. Ecevit under an obligation to bite the bullet and continue to tighten the belt (which the opposition black humourists say is "around the neck of the poor"). It is a prospect which he clearly does not relish. Like many people in seats of power in the Third World, Mr. Ecevit maintains that the IMF prescriptions are recessionist and are not compatible with the socio-economic realities of the underdeveloped world. It is because of this, he says, that IMF prescriptions have hand in hand with military dictatorships or the dangers of coming under

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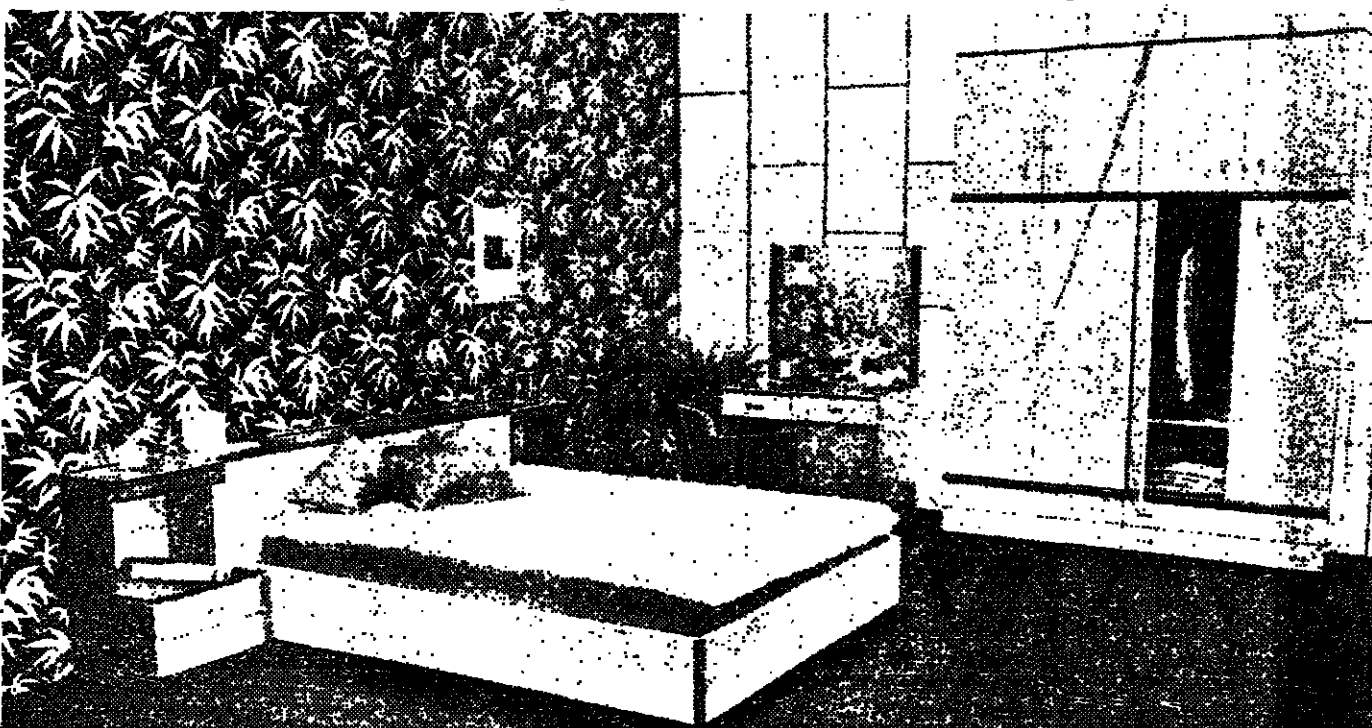
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## A big increase in political violence

THE ISTANBUL popular daily, Gunaydin, recently published some photographs of members of the Nationalist Action Party posing with revolvers in front of photographs of their leader, retired Colonel Alparslan Türkeş.

The NAP's explanation of these photographs was that its members were "rehearsing a play." But there is little theatre in the political death toll this year — now an appalling 600. And there is little play-acting in the ranks of the NAP. Of the 1,800 people under arrest because of terrorist activities over half are rightists, nearly all of these belonging to the NAP, according to the Prime Minister, Mr. Bulent Ecevit.

The charges against some of the leaders of the youth organisations of the NAP range from handing out the guns used for murders to actually committing murder. Photographs of one of their several training camps have recently appeared in the Press. The prosecutor is investigating the party.

All this is a major change from the days before the new year when the NAP (its symbol the wolf) was in power and its leader the deputy prime minister

of Turkey. Then the police seemed to give its militant followers the Commandos, a handed approach, the gauche intelligence authorities appeared to sympathise with it. But now, as Mr. Ecevit puts it: "The rightist terrorists who had practically got hold of the state mechanism but have lost it after we took over have become very frustrated."

## Terror

Frustration for such militants means terror for many. NAP sympathisers have dragged members of the non-violent Marxist party, TIP, the Turkish Workers' Party, from their beds and shot them. It is they who appear to have gunned down prosecutors and academics investigating their activities. They have lobbed bombs into student gatherings and shot down professors who had never been involved in active politics.

The fear of assassination keeps many at home in what is an undeclared curfew where even lecturers can expect to be given police bodyguards.

In 1977, Amnesty International concluded that the bulk of political violence was initiated by the right. This long continued to be the pattern but now, as the police have begun to adopt a slightly more even-handed approach, the gauche left is increasingly settling old scores. In this, the major organisations (G.D. the pro-Moscow Progressive Youth of Turkey) and Devgenç (the large student body, Revolutionary Youth, following a more aggressive policy than G.D.) are not attacking the institutions of State. Instead their targets are the extreme right groups whom they see as areas of Central and Eastern Anatolia where capitalism has threatened to bring fascism to Turkey. But some of the small, not yet taken root, where its groupings on the extreme left are closer to the Red Brigades and its approach, in particular, where traditional elements of the Atila and the Marxist society welcome an alternative Leninist Propaganda Union.

Serious enough as this situation is, there are even more worrying aspects to the problem. In September, nine people lost their lives and more than 100 were wounded in clashes between the Alevis — members of the local Shiite sect of Islam, who tend to support Mr. Ecevit or the left — and the more traditional and conservative Sunnis.

It was the worst fighting of nationalism and socialism since April, when a parcel bomb making its way to a country killed the mayor of Malatya and where pride in Turkishness is

triggered off days of rioting, not least because the mayor was one of Turkey's 5-6m Kurds. This new and potentially explosive form of tension reflects the change in the NAP strategy. Initially, it concentrated on the universities and sought to establish footholds in the developed west of the country.

But various studies have stressed how it has since targeted the extreme right groups whom they see as areas of Central and Eastern Anatolia where capitalism has threatened to bring fascism to Turkey. But some of the small, not yet taken root, where its groupings on the extreme left are closer to the Red Brigades and its approach, in particular, where traditional elements of the Atila and the Marxist society welcome an alternative Leninist Propaganda Union.

The philosophy is a mixture of nationalism and socialism. It was the worst fighting of nationalism and socialism since April, when a parcel bomb making its way to a country killed the mayor of Malatya and where pride in Turkishness is

CONTINUED ON NEXT PAGE



# New landmarks in foreign policy

ON NOVEMBER 16 two ships from the Soviet Navy are to arrive in Istanbul for a five-day official visit.

Istanbul, which sits astride two continents, is not unknown to Soviet seamen who frequently investigate the Bosphorus, back and forth between the Black Sea and the Mediterranean.

Last year over 200 Soviet Navy ships—including the aircraft carrier, Kiev—and a large number of merchant navy vessels, voyaged through the Bosphorus. But it will be the first time since Turkey entered NATO that Soviet ships will actually stop in Istanbul on an official visit. Two Turkish destroyers will sail to the Black Sea port of Odessa in the beginning of December to repay the visit.

Turkish-Soviet relations have come a long way since the end of World War Two when Stalin's enunciation of the 1935 Turkish-Soviet Treaty of Neutrality and non-aggression—and made territorial demands on Turkey, Ankara rejected these demands, which Stalin's successors later called "idiotic"—and joined NATO.

## Khrushchev

After the ousting of the erratic Khrushchev, the Kremlin has pursued a consistent policy of building up a sense of security in Turkey which has paid off handsomely.

Since the mid-60s, exchanges of top government leaders occurred and in the past decade the Soviet Union became one of the biggest suppliers of project credit to Turkey.

In June this year, Prime Minister Ecevit paid a visit to the Soviet Union and signed a political document on friendly relations and cooperation with the Soviet leaders.

While in no way a non-aggression treaty, the document became a new landmark in relations between the two historic enemies. Mr. Ecevit also brought back a promise of 300,000 tons of crude oil a year in exchange for Turkish wheat and other commodities and increased project credits.

The Cyprus question, one of the principal factors contributing to the reshaping of Turkish foreign policy in the last 15 years, appears to have been the gauge for the improvement in Turkish-Soviet relations.

For Mr. Ecevit, who was Prime Minister then also, the Soviet alliance must have been a very welcome move which he could not easily forget.

The American reaction to the Cyprus war, on the other hand, was something which neither Mr. Ecevit nor any other Turk is likely to ever forget.

The arms embargo, imposed by the U.S. Congress acting at the instigation of the Greek-American lobby, lasted three years and did irreparable damage to the once "perfect" Turkish-American relationship. The Turkish armed forces, particularly the Air Force, suffered



badly. About 95 per cent of the Turkish arsenal is American-supplied. The embargo was particularly painful because it coincided with a period of crisis in Turkey's relations with Greece.

The Turkish generals could not have relished seeing the balance in the Aegean beginning to tip in favour of Athens while their hands were tied by the embargo and the economic crisis which prevented them from shopping for arms elsewhere.

The embargo's real damage, however, was moral: it undermined, probably permanently, Turkey's confidence in the U.S.—and, by extension, NATO—and reinforced Ankara's suspicion that in the event of a Turkish-Soviet confrontation the U.S. might leave Turkey alone. To understand the impact of this on Turkish thinking it is necessary to understand that fear of Soviet aggression has been the cornerstone of the Turkish defence and foreign policies for centuries.

"We have to ensure that we do not become the first target in a nuclear war," said an elder Turkish statesman. "Hence, we should ensure that we don't become a target at all."

It is probably similar considerations which prompted Mr. Ecevit to build up new defence and foreign policy concepts. While as yet more philosophical than practical, these policies reflect a change of attitude to recent international developments which affected Turkey intimately.

Basically, Mr. Ecevit believes that Turkey's contributions to NATO far outweigh the benefits it accrued and, furthermore, Turkey has been stabbed in the back by the American embargo. Thus, while remaining in NATO, Turkey must see to it that its NATO membership does not become a threat to its neighbours.

Turkey must build up a ring of friendship around it so that it is not embroiled into a confrontation with its neighbours. It would be dramatic but incorrect to interpret these as meaning that Turkey is con-

sidering a radical change in its posture either now or in the foreseeable future.

The fear of Russian aggression, which for so long dominated Turkish thinking almost exclusively, is no longer the principle factor. Two factors which are arguably more prominent have cropped up: one of them is the possibility of a confrontation with Greece over the Aegean Sea and the other the economic crisis which has had Turkey in its grip for nearly two years.

The Turks and Greeks have been interlocked in war and peace for nearly 900 years—but never in love.

The Greeks bitterly resent the Turkish intervention in Cyprus—which they blame NATO for not stopping—and fear to the point of paranoia that Turkish claims over the Aegean seabed and airspace conceal Turkish territorial designs on their Aegean possessions.

While rejecting this vehemently, the Turks argue that the Greeks want to oust them out of the Aegean completely and isolate them in the West by invoking a host of racial, religious and historic prejudices against the Turks. The dialogue which opened at Mr. Ecevit's insistence between the prime ministers of the two countries early this year have led nowhere although a number of talks at lower levels have been held.

## Crisis

The dispute over the Aegean continues to be potentially explosive. The hostility between the two may be compounded after Greece's accession into the EEC. For the Turks the possibility of a confrontation with Greece is more real than a war with the USSR.

With the repeal of the embargo, the Cyprus question has receded into the background and, in the words of a Turkish observer, become "a secondary nuisance."

The economic crisis is the newest factor to play a role in the shaping and conduct of

Turkey's foreign policy. Mr. Ecevit appears to believe that the West owes it to Turkey to extract it from its dire straits. Turkey can no longer tolerate being the lonely and poor guardian of NATO's easternmost flank. It should be helped so that it stops being the only under-developed member of the prosperous EEC and NATO clubs. Otherwise, he threatens, Turkey will look "elsewhere."

It is unlikely that the West will, or even can, pay the price which, other considerations aside, is immense. The West is proposing that Turkey should forget its development average of 7 per cent a year as average in the past 15 years—one of the highest in the world—and stick to a more realistic rate of two or 3 per cent.

Preoccupied with political survival in a country which has the highest inflation and unemployment rates in the OECD, Mr. Ecevit does not have any sympathy for such remedies. He believes that even the democratic system is at stake.

To assess the possible impact of the West's refusal or inability to come forth with satisfactory cash on Turkey's foreign policy is, at this time, impossible. However, one doesn't need a crystal ball to guess the chagrin and disappointment it will cause in Ankara.

The economic situation has added a dimension to Turkey's relations with foreign countries in general. An increasing number of cabinet ministers are visiting a growing host of countries purely on economic missions, a relatively new phenomenon in Turkish affairs. Most of their destinations are in Eastern Bloc and Arab countries.

After the embargo and, in particular, Mr. Ecevit's accession to power, there has been persistent speculation in the West that Turkey may be slowly drifting outside the Western camp into non-aligned pastures. There is no evidence to support this speculation. Turkish foreign policy is just becoming more pragmatic and self-interest-oriented.

M. M.

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Cash and Due from Banks	2,393,698	1,690,598
Investment Securities	90,113	37,992
Loans	4,598,457	4,499,018
Equity Participations	421,369	318,433
Premises, Equipment and Other Assets	830,445	460,527
<b>TOTAL ASSETS</b>	<b>8,343,082</b>	<b>7,006,568</b>
LIABILITIES AND EQUITY		
Deposits	6,802,555	5,620,018
Funds Borrowed	691,883	729,535
Other Liabilities	927,295	460,305
Equity	331,351	196,710
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,343,082</b>	<b>7,006,568</b>

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## Violence

CONTINUED FROM PREVIOUS PAGE

rempant and social inequalities are staring.

There is no need to copy the sadistic Slav Marxism or to embrace the cold capitalism of the Anglo-Saxons," he has written, calling for a "third way."

He dismisses social democracy as "the democracy of the employers" and would introduce castes rather than classes, abolishing parliamentary rule and introducing prime ministerial rule.

His emphasis on "Turkishness" is seen by his opponents as akin to racism and, in fact, his support is particularly strong in provinces where Turks exist side-by-side with those of other racial origins, such as the

Kurds. Now he has been openly calling for the introduction of martial law—an appeal greeted by Mr. Ecevit with such remarks as: "You can't settle the matter through martial law although you can make it worse, as we have seen in several countries."

It is, in fact, one of the bitterest failures of the present Government that it has failed to halt the blood-letting. It had made life and security—using those words rather than the more "authoritarian" law and order—central to its 1977 election campaign. It has put as Minister of Interior the retired Air Marshal İrfan Özyıldırım, a man with a reputation for competence during his earlier period

as a martial law commander. And as Minister of Education is Mr. Necdet Uğur, a former Istanbul police chief. But the death toll has doubled.

"Our main deficiency and disadvantage has been the condition of the internal security forces," says Mr. Ecevit. Riven by politics and with Mr. Ecevit unwilling to take advantage of the help "against fascism" offered by the policemen's association, Pol-Dev, he has brought British policemen in to help with the police and gendarmerie in to help in the cities. What is sometimes called "civil martial law" seems to apply as the authorities use the gendarmerie to clear student hostels or mount road searches.

However, it was only in September—nine months after taking office—that he was able to appoint a man of his trust to run Turkey's Central Intelligence Agency, MIT—a body frequently accused, even by Mr. Ecevit's deputies of having provoked violence in the past. Elsewhere too the process of weeding out Mr. Turkes's supporters has been a slow one.

Now much greater success is being had in making arrests and moves are under foot to have courts earmarked just for terror trials. In all this there is little co-operation between Mr. Ecevit and the leader of the opposition, Mr. Süleyman Demirel. But there is little room for such co-operation, not least because Mr. Demirel continues to defend his alliance with Mr. Turkes and to harp on the dangers of communism while most observers would argue the real danger lies from the opposite quarter.

Mr. Demirel has recently been

attacked in the left-wing press for suppressing a 1970 report by the Ministry of Interior on the para-military activities of the NAP. Yet however criticised this party may be, the origins of the violence date back to long before the party's formation in the mid-1960s.

These origins are to be found in the massive uprooting of Turkish society, which has accompanied industrialisation. The question of foreign interference is less often raised in Turkey than in many other countries at its stage of development. Instead, Turks connect the present problem both with the economic situation and the country's political tradition.

Unemployment effectively totalling well over 20 per cent and inflation of over 50 per cent provide an acid backdrop to the situation while Mr. İsmail Cem, the former director general of Turkish Radio and Television, has linked the readiness to turn to violence to the tradition of authoritarian suppression of dissent exemplified by Kemal Atatürk himself.

With such origins the problem is the harder to correct. The economic crisis continues. The political tradition cannot be changed overnight. On the contrary, the killing only intensifies the bitterness which now directly affects much of society—even the high schools. But the flame set to the potential racial and religious bonfire is the most dangerous challenge to the harmony imposed on Turkey by Kemal Atatürk in the 1920s. That harmony was imposed by force. Now it is threatening to destroy it.

D. T.

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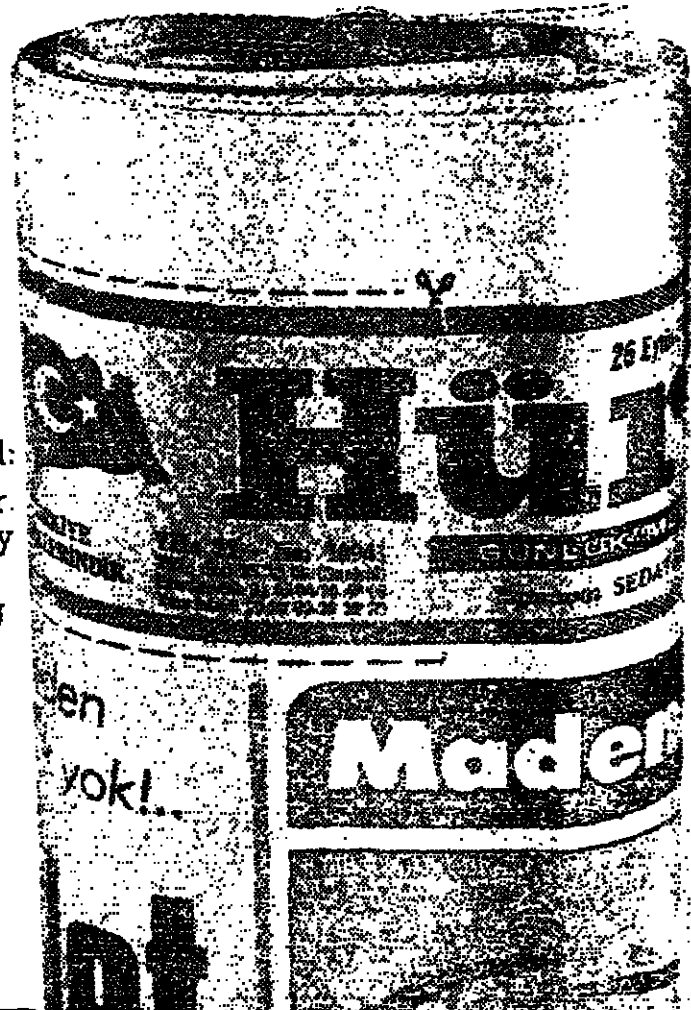
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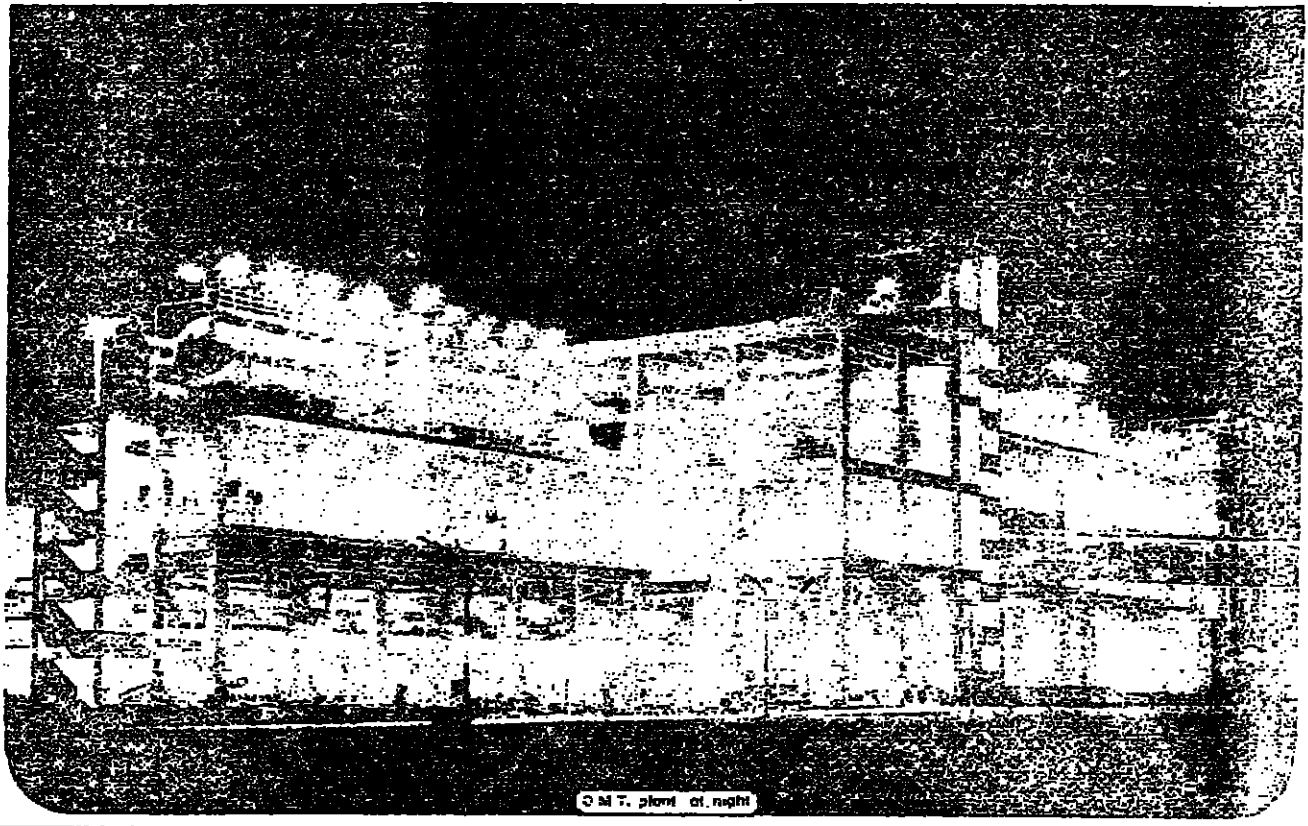
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## TURKEY IV

# Debt burden has eased a little

"BORROWING IS a whip which makes a brave man run faster" was a favourite proverb of former Prime Minister Süleyman Demirel. Unfortunately for both Turkey and hundreds of foreign banks and suppliers, the whip with which he chose to beat the Turkish economy into making a new leap forward was of the wrong kind.

The system which Mr. Demirel introduced in 1975 was very simple. He offered foreign depositors an attractive spread over normal rates to put their foreign currency into the so-called "convertible Turkish lira deposit accounts" in Turkish banks. The central bank considered the risk for fluctuations in currency parities and the interest burden.

cent, so most Turkish businessmen were quite willing to make under-the-table payments to obtain the cheaper D-mark.

There were, however, several aspects of the scheme which were severely wrong.

First, the spread at 1.75 was constant irrespective of maturity. There was therefore no inducement for depositors to make long-term deposits. Consequently the overwhelming bulk of the deposits bunched up in maturities of between six to nine months.

Secondly, because there was no foreign exchange risk for the depositor or the borrower, most deposits were made in strong currencies like the D-mark and Swiss franc.

Thirdly, the money thus borrowed went towards bridging the widening foreign trade gap—in other words Turkey used expensive short-term funds for what turned out to be long-term purposes since it could not generate enough money to repay the debts.

### Outcome

For a year or so everybody was happy. The depositors were happy because they received a lucrative return. The central bank was happy because it received foreign exchange to make up for the fall in income, tourism revenues and workers' remittances. The Turkish lira equivalent of the deposits were happily spent by Turkish industrialists and businessmen starved of cheap credits.

The middlemen were the happiest of all because they became millionaires overnight by getting commission. The difference in the interest rate between, say, the Deutsche Mark and the Turkish lira is about 20 per

At the beginning of last year the central bank found itself unable to service these or other debts to suppliers. The period coincided with the worst economic crisis the country had faced, with political instability and growing violence added.

At the beginning of 1978, when Mr. Ecevit came to power Turkey intensified action regarding its formidable debt situation. "We inherited a series of impressive records," said Mr. Muezzinoglu, the Finance Minister, with wry humour, "record debts, record

inflation, record unemployment and a record trade deficit."

Turkey could not service its debts and aimed to restructure them and spread them over a period of time with the hope that the economy would recover. This view was shared by the creditors who did not really have any other choice.

In May in Paris the OECD countries agreed to reschedule debts of \$1.46bn owed by Turkey to suppliers covered by export guarantee agencies. Since then Turkey has been negotiating agreements country by country and by the end of the year hopes to have a new calendar of repayment for this category.

It took six months to prepare the restructuring scheme to be submitted to the foreign banks.

At the end of last month, after numerous sessions with seven major banks—Barclays, Deutsche and Dresdner Banks, the Union Bank of Switzerland, Citibank, Morgan Guaranty and Chase Manhattan—Turkey unveiled a programme for restructuring about \$3bn of debts—\$2.2bn in the convertible Turkish lira accounts, \$426m of bankers' credits to the central bank and \$270m of third party reimbursement claims.

For the first two categories the central bank proposed repayment over seven years, including a three-year grace period, and a spread over inter-bank rates of 1.75. Third party reimbursement claims would be repaid over three years with a spread of 1.50. This month the central bank is expected to know what percentage of its bank creditors will subscribe to these schemes.

The biggest remaining headache is some \$1bn of overdue debts to suppliers not covered by export guarantee agencies.

Turkey has asked the OECD for a lump sum to pay off this debt but as yet has had no firm reply. It is unlikely that the response will be favourable because many states, considering that their companies trade at their own risk, are reluctant to establish a precedent by paying off their uncovered suppliers. Several ideas have been floated.

One, first put forward by Citibank, proposes putting funds at the disposal of the Government for paying off "selected" uncovered suppliers. Repayment would be guaranteed by both Turkey and the company which

would benefit. Several other banks, including Deutsche and Dresdner Banks, have proposed similar schemes but nothing concrete has yet emerged. The Finance Ministry believes that by paying off selected suppliers it would be discriminating against the others.

Another idea, which is in a very embryonic state, is to provide suppliers with opportunities to convert their debt into investment funds in Turkey or to buy equity in the debtor companies.

That Turkey becomes solvent and credit-worthy once more is of importance not only to the country itself but to its suppliers, which have been witnessing a severe shrinking in what was only two years ago a lucrative and expanding market. The case of a Japanese trading company is typical and illustrates the problems suppliers are experiencing in Turkey today.

The company—which does not wish to be named—started with sales of a few million dollars in the mid-sixties to reach a peak of \$156m in 1974. Its sales declined to \$100m in 1977 and will become an estimated \$20m this year.

The company is owed \$70m, about half of which is not covered by the Japanese export guarantee department.

"We are getting worried about next year," said a company director, "and we don't know what will happen to the non-guaranteed supplies—who will pay them, how and when."

He said that the company had requested the Ministry of Finance to pay interest on the overdue debts but had had no reply. It was now doing business on a limited basis through acceptance credits but was finding that arrears were cropping up in these as well.

Although the overall situation is far from cheerful, it is much brighter than it was in the beginning of the year. The Ecevit Government appears to be more alive than any Turkey has had in this decade and this may ensure a continuity in debt repayment policies, a critical factor.

To end with another proverb, this time quoted by the Minister of Industry, Mr. Orhan Alp: "He who spends borrowed money is spending from his own pocket."

M.M.

# Banks face difficulties

IT HAS been a testing period for Turkey's financial institutions. Inflation and the crippling lack of foreign exchange have been the main preoccupations of those in charge of both the public and the private sectors.

These two problems have made demands which the institutions have only partly been able to meet. But the institutions, though under strain, have ridden the storm, bloodied perhaps but certainly unbowed.

Commercial banking has remained highly profitable. About the only head to roll has been that of the Governor of the Central Bank, Dr. Tayyar Sadiklar. And the only financial practice yet to suffer is that of the controversial Convertible Lira Deposits. These credits extended by foreign banks to Turkish commercial banks whose foreign exchange risk is carried by the Central Bank of Turkey are now to be phased out.

Arguably, this is happening not a day too soon: the credits were in part a channel for hot money from abroad, they were inflationary in effect and they allowed the authorities to delay facing up to the long-simmering crisis in the balance of payments.

The dismissal of Dr. Sadiklar caused considerable controversy in the autumn. His supporters and the opposition, which, when in power, had appointed him to the Central Bank, sought to present him as a martyr for the principle of the independence of the bank from Governmental control. But such a case would have been easier to accept if Dr. Sadiklar had himself stood up for the independence of the Bank before the change of government.

On the contrary, his critics believe that his failure to insist that measures were taken in 1977 and his apparent acquiescence to the then government's spendthriftness contributed to the intensity of the present crisis.

As it is, he has been replaced by a former adviser at the bank, Ismail Hakki Aydinoglu, an ambitious man with experience at the OECD—though also unlikely to stand up against the wishes of the Government which appointed him.

This Government is in fact keen to see a number of major changes in Turkey's financial institutions. Like its predecessor it tends to question whether these institutions are adapting to meet the new financial needs imposed by Turkey's development—though, unlike its predecessor, it includes members who would favour fairly large changes. The idea that nationalisation means rationalisation is gaining ground.

The basic structure of Turkey's present institutions emerged when industry was embryonic—two are small private investment industry new benefits at the

expense of the individual and large-scale industry at the expense of the smaller units.

Indeed, the commercial banks which dominate the picture are increasingly helping the growth and consolidation of the larger trading groups and industrial empires, whereas other classes of borrowers find their needs are poorly catered for.

### Influence

As for the banks themselves, these have arguably become the strongest pressure group in the country. Their activities are severely circumscribed by law, but the legislation is antiquated in conception and inadequate to its task. Moreover, while in theory it is the Government which regulates the banks in practice, the banks have long near-reversed this situation. They have, for example, delayed the introduction of the bill necessary to allow the formation of a capital market.

Today, the banks say that their opposition to the present draft bill for this market is because it does not go far enough, but economists counter this argument by saying they fear any development which might challenge their near-monopoly in the sector.

Even more intriguing has been the battle between the banks and the country's armed forces over whether the latter should be allowed to set up a bank—an activity which needs the approval of the Council of Ministers. Though the armed forces are usually considered omnipotent in Turkey, it is the banks which have so far won this battle.

Despite all these problems, the financial sector is burgeoning; between 1972 and 1977 its share of GNP rose from 1.8 to 2.4 per cent. Equally, the degree of monetarisation of the economy has continued to rise, with the prime problem stopped being how to attract hoarded savings from under the mattress.

The insurance companies have been developing fast of late with premia collected in 1978 totalling TL2.7bn, seven times the total for 1968. However, the insurance companies remain of relatively low importance, not least compared with the various public social security funds. Their assets now approach TL100bn.

With the Stock Exchange rudimentary and a capital market still to be established, the banks thus play a crucial role. In total, there are 43 of them. Three of these are holding companies for State Economic Enterprises. Ten others are controlled by the State, with two of these being investment banks. Of the 30 private banks, two are small private investment banks, five are foreign

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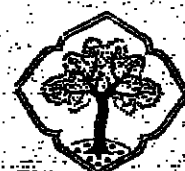
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# State enterprises under attack

THE TURKISH Prime Minister, Mr. Bulent Ecevit, is one of the larger industrial employers in the West.

More than 650,000 people are employed in the 40 State Economic Enterprises (SEE) which, ultimately, come under his control. These enterprises include a number of activities often found in public hands, such as airlines, railways and electricity. But the range also includes major agricultural agencies and fuel bodies. And it also includes enterprises which account for no less than 38 per cent of Turkey's manufacturing production.

Though valued by the Government, committed to introducing what it calls "The People's Sector" the SEE have been under some attack. "The greatest weakness of the Turkish economy lies in the SEE," wrote Dr. Tayyar Sadiklar, just before his removal from the governorship of the Central Bank of Turkey. This is an overstatement of the case yet the performance of the SEE has been central to the course of Turkey's recent crisis.

Their financial record in recent years explains the attention which they have attracted. In years 1971-73, the SEE turned in a net operating profit, though had to rely on ever-increasing quantities of funds from the budget and State Investment Bank to finance their investment programmes.

## Deficits

Since then, their operating deficits have soared. Figures for the precise totals differ. An official report by the Treasury put the programmed deficit for 1977 at TL11bn.

However, a table given by TUSIAD, the Turkish Industrialists' and Businessmen's Association, in its latest annual report on the Turkish Economy gives provisional programme figures for 1977 of TL18bn operating losses.

When their investment programme requirements of TL61bn are added, their total financing requirements reach no less than 10 per cent of GNP.

The pre-election atmosphere of much of the past three years and the generally accepted idea that the SEE have a social role

to play in providing low-cost goods meant that Government's long-delayed raising measures to reduce this huge and inflationary deficit. But in autumn 1977, and on various occasions since, the price of most SEE products were jacked sharply upwards. So crucial are these products to the everyday life of the average Turk that even the President of the Republic, Retired Admiral Kocuturk, felt enjoined to add his voice to the public uproar at the increases.

And he remarked that he trusted it also includes enterprises measures to help the lower income groups would be taken. Despite the increases, the strain on the exchequer has only been partially reduced. The Government committed to introducing what it calls "The People's Sector" the SEE have been under some attack.

TL 37.7bn compared with TL 47.4bn in the same period of 1977. Moreover, the official Treasury view is that the term gap even though they have reduced them in the short term. To the institutions of the West, the performance of the SEE has long been at the root of the problems of the economy. The influential report prepared for the U.S. Government by M. A. Thornburg and published in 1949 entitled "Turkey: an economic appraisal" writes: "An economy controlled by the state necessarily results in waste in every field."

It adds that the state industrialisation programme has inhibited the development of private enterprise. A World Bank report, published two years later, suggests that the SEE be discontinued and sold to the public. Subsequent OECD and IMF reports have also focused on the poor management and inefficiency of the SEE.

One aspect of this is the debate over industrialisation in Turkey. "Though it is essentially an agricultural country, instead of favouring to the utmost the products and cultivations of its soil and instead of handing over its raw materials to foreign industry which sends them back in a manufactured state, it committed the error of trying to become a manufacturing country itself... the only cause being the puerile satisfaction of

being able to say that Turkey could manufacture cloths as well as Europe." This view, cited in "The Limits of Modernisation, Turkey," by Rudy Koopmans, is interesting in that it was put forward 122 years ago by the French traveller, M. A. Ubinski. But it was countered by the Turkish philosopher, Ziya Gokalp whose views, formulated just before World War One, had a decisive impact on Kemal Ataturk, and are still important today.

"Individual ownership is legitimate, provided it serves social solidarity... the economic ideal of the Turks is to prevent the appropriation of social wealth without abolishing private ownership... The Turks also have a second economic ideal, which is to endow the country with large industry... without the guidance of the state, we Turks could not take even a step in this direction."

But they have resulted in the establishment of industry at a time when the private sector was unwilling. They have to some extent located that industry in areas which otherwise would have been neglected. They have set an example in conditions of employment to the private sector. They have also been a constant source of relatively low-priced goods and services—even if shortages and the black market run by merchants in items such as cement and steel have often meant the final user

they suffer seriously from the failure to give them the type of autonomy given to, say, the IRI units in Italy. But they have resulted in the establishment of industry at a time when the private sector was unwilling. They have to some extent located that industry in areas which otherwise would have been neglected. They have set an example in conditions of employment to the private sector. They have also been a constant source of relatively low-priced goods and services—even if shortages and the black market run by merchants in items such as cement and steel have often meant the final user

has benefited less than intended, just been to Italy for talks on As the party of etatism, the the setting up of engine factories governing Republican People's parties under a new SEE, Party has always attached more importance to them than have its opponents. It has this year established a Ministry of Public Enterprises. Shortly after taking office the first Minister, Professor Kenan Bulutoglu, told the Financial Times that his plans abroad into enterprises to be reorganised the SEE included rationalising them and possibly even selling-off small units.

But this has not been seen. Instead the SEE are to remain at the heart of attempts to develop heavy industry in the country. Prof. Bulutoglu has banks, and the rest commercial investment banks are much smaller and their growth—and thus their ability to meet the demands made by the private sector—is severely limited by their problems in raising funds. Industry is thus heavily reliant on the commercial banks—and these in their turn are making use of this reliance to involve themselves in the control of the companies to which they lend. Thus, two conflicting tendencies are now emerging. On one hand, the Koc group, through its purchase of a controlling share in the Turkish Garanti Bankasi—the fifth largest bank—has followed the Sabanci/Akbank group of mixing industry and banking.

On the other hand, as one foreign financial report on Turkey concludes: "One of the striking features is the involvement of banks in economic activity through direct equity participations in industrial concerns. Although only 2 per cent of total assets of the (banking) industry is invested as such, banks' real exposure is much larger... once highly encouraged by regulatory bodies, this has now become one of the most criticised aspects of the (banking) industry."

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## Difficulties

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## Funding

With Turkey a savings-deficit country, the problem of funding is crucial for the banks. The state deposit-money banks are favoured in that they have easy access to the Central Bank, to bond issues and the ministries. But the commercial banks are obliged to compete with each other for funds — about the only area of banking where true competition is evident. This problem of funds is becoming more serious now that the banks can no longer rely on Convertible Lira Deposits to increase their resources of local currency.

There is no active interbank market and no negotiable certificates of deposit. Attempts to introduce float-yielding instruments such as travellers' cheques have failed. As for

deposits, two-thirds of these are sight deposits, yet in practice they are less volatile than might be expected.

The services offered by the banks are very different from those in, say, the EEC. Cheque accounts are almost exclusively available only to corporate customers and consumer loans are negligible. The major part of the loan portfolio is in short-term credits for trade. It is only now that the banks have been obliged to direct a proportion of their credits to term loans that the latter have begun to grow in importance.

But in compensation for the massive range of Government legislation — all loans over TL 150,000 must go to the heads of a bank for approval and new branches can only be opened with the consent of the Ministry of Finance — profits are extremely high. They could hardly be otherwise. The banks "borrow cheap and lend expensive."

A recent study of spreads at the end of 1976 showed that the weighted cost of liabilities and capital stood at 4.85 per cent while the weighted yield on assets was 10.1 per cent. This gives a net spread of 5.25 per cent — some five times that with which Western bankers usually make do.

"High profits because of high risks" is how Mr. Sakip Sabanci, chairman of Hacı Omer Sabanci Holding, the main

shareholders in Akbank, describes the situation. But it is also a sector with high costs.

The banks spend lavishly on buildings and advertisements. It is to such purposes rather than more productive ends furthering the country's development that a share of the banks' funds is directed. Equally, they have numerous branches and most have large numbers of staff in relationship to their assets.

## Determined

The former Prime Minister, Mr. Suleyman Demirel, is reported to have been determined to curb the power of the banks, but his recent coalitions were too fractious to allow him to act.

Now, Mr. Ecevit's own inclinations are known to be for some changes in the sector. It would in a sense be against his own interests in that the Turkish Is Bankasi now flourishes ahead of its competitors and Mr. Ecevit's party, the Republican People's Party, was bequeathed control of the bank by Kemal Ataturk.

But if Mr. Ecevit has not acted so far it is not for this reason. Instead, his ministers are sensibly trying to ensure that the economy is back on its feet before taking any steps better to fit Turkey's financial institutions to the needs of the present.

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Atlantik Sigorta Corp.	Insurance	Yafsa Corp.	Vegetable Oil
Sasa Corp.	Artificial and Synthetic Fiber and Yarn	Ölünk Corp.	Paper, Cardboard and Boxes
İnsa Corp.	Nylon Yarn	Türk Philips Corp.	Electronics
Bosa Corp.	Jersey and Fabric	Pilsa Corp.	Plastic Products
Teksa Corp.	Cotton and Synthetic Yarn and Velvet	Plassa Corp.	Plastic Sacks
Yünisa Corp.	Woolen Products and Carpet	Temsa Corp.	Process Equipment
Kordisa Corp.	Cord Fabric	Bimsa Corp.	Data Processing and Process Control Services
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#### CORD FABRIC

KORDISA Corp. is the first and only cord fabric producing plant in Turkey. With its capacity of 14,000 ton/year, KORDISA is successfully supplying the requirements of the existing tire factories and continuously exporting its high quality tire cord fabrics. Exports are expected to reach 5.5 million dollars in 1978. Kordisa operates with Goodyear know-how and technical assistance is provided by Unicryal.

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LASSA Corp., one of the giant plants and the biggest tire factory in Turkey, with its 150 million dollars investment, can produce 2 million tires of all sizes and 1.4 million inner tubes, annually, covering 70 percent of the total capacity of the remaining three tire plants. Lassa began its experimental operations in October 1977 and is since January 1978 in serial production.

#### CEMENT

AKÇIMENTO Corp. and CİMSA Corp. with two biggest plants in the Turkish cement industry, meet an important demand of the country with their 2.35 million ton/year cement production capacity.

In 1977, nearly a quarter of the total cement output of the private sector was supplied by these two plants. In successive years, 1976 and 1977, over 1/3 of the total cement exports from Turkey were realized by CİMSA alone.

#### ELECTRONICS

Hacı Ömer Sabancı A.S. has recently entered into the electronics sector by participating in two Turkish affiliates of Philips, Holland. These affiliates are the Turkish Philips Trading Company and Turkish Philips Industry.

## TURKEY VI

# Coming to terms with Brussels

AFTER SEVERAL years of pronounced strain, which more than once threatened to sever their lines of communication, the EEC and Turkey have embarked on a fresh attempt to redefine their bilateral relations. The exercise began last spring when the Turkish prime minister, Mr. Bulent Ecevit, toured a number of European capitals with the avowed intention of re-establishing a dialogue which had shrivelled to near-silence during the previous administration of Mr. Süleyman Demirel.

The main immediate outcome of Mr. Ecevit's initiative was an agreement that the EEC Commission should explore with Turkey ways of giving new life to the association agreement which has linked Turkey and the community since 1963. Talks began a few weeks ago when a Turkish delegation, visited Brussels, now the Commission hopes to obtain a specific mandate from the Council of Ministers enabling formal negotiations on modification of the agreement to begin in the new year.

Despite the improved goodwill on both sides, that will not be an easy task. Though all EEC governments seem to recognise the political and strategic importance of consolidating Turkey's relations with Western Europe into a durable partnership, there is far from a consensus on how this aim should be translated into a practical reality. Room for manoeuvre is severely limited by internal and external constraints which will make it hard for the EEC to offer Ankara the concrete concessions it is seeking.

Externally, the Global Mediterranean policy launched by the EEC in the early 70s has caused considerable anxiety in Ankara. The Turks complain, with some justification, that their once privileged commercial relationship with the EEC has been steadily eroded by many of preferential trade agreements between the Community and most coastal states in North Africa and the near East. The fact that many of these same countries are growing anxious that the admission of Greece, Portugal and Spain will limit EEC markets for their exports is of no consolation to Turkey.

Quite apart from fears that Greece will exploit its future EEC membership in the detriment of Turkish interests, prospective enlargement is likely to pose real limitations on the potential benefits which Ankara can hope to obtain from the Community. In the field of agriculture both Italy and France are pressing for a better deal for their Mediterranean producers which, if granted, would imply tougher protection against third country exports. The EEC market for certain manufactured products, such as textiles, is likely to grow even tighter as barriers to Greek and Portuguese production are removed, while the applicant countries are certain to fight hard for as much as possible of EEC finances to be spent on their own economies. Under these circumstances, the EEC will not have the resources to shoulder more than a small part of Turkey's problems.

### Favourite

While Turkey still thinks of itself as the community's favourite child, the fact is that the family of EEC countries has grown bigger and more complicated since the association agreement began. In some respects, the agreement has proved to be more a statement of good intentions than of firm commitments. The progressive integration of Turkey into the EEC has not taken place because the Turks have not been able to shoulder some of the increased obligations implied and because the agreement assumed that the Community would evolve in directions which it has not followed.

The steady deterioration in Turkey's economy, worsened by the effects of the worldwide recession which followed the 1973 oil embargo, has prevented it from fulfilling one of the main provisions contained in the so-called additional protocol Ankara agreed to advance specific proposals for revising its agreement with the EEC. These have

progressive dismantling of tariffs on EEC industrial exports to produce a full customs union. The Ankara Government believes that Turkish industry remains too weak to face the full impact of Western European export competition.

Faced with sharply rising unemployment at home, the Nine, for their part, were unable to honour the timetable in the agreement which called on them to start removing in 1976 obstacles to the free movement of Turkish workers inside the EEC. Instead, the most they could offer was to give Turkish workers a right of second priority to jobs not taken by EEC nationals. More recently, the EEC has subjected Turkish textile exports to quantitative restrictions. This move, has strained the spirit of the association agreement, if indeed, it has not actually violated its letter.

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Indeed, some German ministers have hinted that they would like a freeze on EEC labour movement policies, even for workers from the three candidate countries, until 1990, with no more than a promise to review the situation afterwards. There have been suggestions that some EEC governments might try to make the dropping of Turkish demands for freer policies in this area the price for accepting Ankara's request for a further five-year postponement of the removal of tariffs on EEC industrial exports.

EC officials in Brussels argue that despite its current problems, the Turkish economy has considerable potential. A more open attitude by Turkish authorities to foreign investment, coupled with the abolition of internal administrative obstacles, could lead to the development of a large-scale tourist industry. Another potential area for expansion is said to be agribusiness, especially the production of soya, for which there is a substantial market in the Community. But such suggestions are of a long-term nature and fall short of

Guy de Jonquieres

## Army needs modern arms

TURKISH GENERALS are expanding the factories. The frustrated army is generally matter is to be discussed with running on immediately post the U.S.

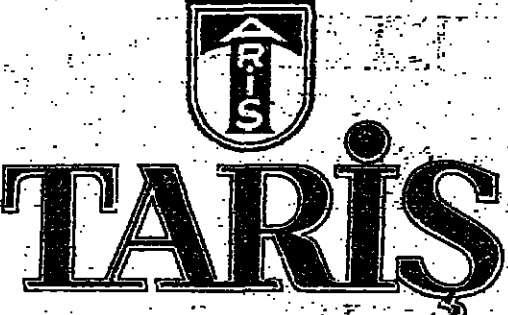
Not all services' arsenal are of the same vintage. In the navy there is some evidence of modernisation thanks to vessels built in naval dockyards and purchases from Germany. The air force is mainly dominated by obsolescent F104 and F104S aircraft and the newer Phantoms F4E S. The huge ground forces appear to be the worst off.

The biggest slice in the budget is for defence, 32.9bn Turkish Lira (\$2.1bn) in the 1978 fiscal year budget, accounting for almost one fifth of total Government expenditure. About 8bn Turkish Lira of the defence budget is earmarked for reorganisation and modernisation of arms equipment and the armed forces under the so-called REMO programme. (This is a long term 60bn Turkish Lira improvement programme.)

Cutting down the size of the army, one of the biggest in the world and second in size in NATO only to the U.S., would not generate adequate funds for re-equipment. The Turkish army is conscript and relatively cheap to maintain. The country is manufacturing ammunition, light infantry weapons, anti-tank missiles, and building landing craft, a fast missile-firing patrol boats and submarines. But such state-owned local industries are small and inadequate for the army's vast and sophisticated requirements.

The ambitious plans of the early 70s to expand the armaments industry and manufacture jet fighters have been dropped, at least until the economy stabilises. Though great emphasis is put on Turkey cannot allow its national

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مكتبة الأناضول



## TURKEY VII

# Debate rages over joining the Nine

KEY'S MARRIAGE to the 15 years ago was not one of even economic feasibility but political match of convenience.

admitting underdeveloped in their club the pros and cons of Western nations. In effect paying a high price for Turkey's membership of the eastern flank of NATO. Turkey, its part, had mixed feelings towards the Common Market was neither able to exploit advantages of its association nor the full nor to press to prove its position.

Although the political decision for attaining eventual membership remains unchanged debate on whether or not key should—or indeed can join—is still persisting. It is only because of these half-hearted attitudes in both Ankara and Brussels that over years the association relationship has declined to its present phase of deadlock.

## Agreement

Turkey signed its association agreement with the EEC in 1963, about two years after Greece had signed. The short-term aim was to reduce the gap between the Turkish economy and that of the Community and the long-term one accession to the Community.

After a 10-year preparatory period, Turkey would adopt a timetable which would gradually eliminate its existing tariffs on industrial imports from the Community. For industrial goods in which Turkey was deemed to be more competitive the tariff reductions would be eliminated over 12 years and others over 22 years. Thus by 1985 Turkey would become a full member of the Community—the first Muslim country to become so.

It now appears almost certain that this timetable will have to be shelved. Last month Mr. Ecevit sent a delegation to Brussels requesting a five-year freeze on Turkey's obligations to the Nine. In other words, while the association agreement and its annexes would remain in effect, Ankara would top lowering its tariff barriers. Thus while Greece, Spain and Portugal were hurrying to get in, Turkey was delaying its accession by five years to the year 2000. Ankara's crisis-ridden relations with the Community had in effect been frozen since 1974 and been getting progressively chillier before that.

The Turks themselves are greatly to blame for this. Ankara committed the mistake of assuming that the association would automatically solve all problems as they cropped up. Of course nothing of the sort happened. While Turkish bureaucrats and do not agree with him. He has governments shambled, many frozen up everything so he

States signed agreements with the EEC which eroded Turkey's outdated concessions. By the time Ankara woke up, the oil crisis and the consequent recession in Western Europe had induced a harder bargaining mood in Brussels towards Turkey's efforts to redress the situation. Three years ago the Turks called for a round of negotiations and asked for concessions—none of them granted.

The Turkish claims revolve around four principal points. First they demand better conditions of access for their agricultural products—Turkey's biggest foreign exchange earner—claiming that third countries like Israel and those of the Maghreb, which will never become full members, are more privileged.

Secondly, the Turks want free circulation rights for their workers in the Community as stipulated under the association agreement. Thirdly, Ankara is demanding that the restrictions imposed by the Nine on Turkish cotton yarn, textiles and ready-made clothing imports be removed. Last but not least Ankara wants more economic aid.

All four proposals have more or less been rejected in the past and have been repeated in Brussels last month. EEC officials now refer to them as "Turkey's Traditional Demands"—an indication of their age if anything else.

To be fair, Ankara has justifiable moral and legal grounds for its grievances. The erosion in agricultural concessions is a fact. It is also true that the EEC is reneging on its obligations by not granting free circulation to Turkish workers. The Turks further point out that as soon as they attain competitive export potential in an industrial field—for example textiles—the EEC invokes protection rights and brings down the gullotine.

But again in all fairness Ankara must take the blame for acting only after its grievances reached crisis proportions.

## Frozen

In the light of recent developments, however, all of this has become more or less historical. Both Ankara and Brussels are now more concerned with the "freeze" and its implications.

The Ecevit Government is stoutly denying that the freeze is an anaesthetic preceding the complete severance of ties. "We are not asking for the freeze to waste time" said a Turkish official. "We want to develop our relations and make them more dynamic. The Community understands."

Says Mr. Ecevit himself: "We agree to freeze our relations in order to make them stronger." The pro-marketters, including former Prime Minister Demirel, while Turkish bureaucrats and do not agree with him. He has governments shambled, many frozen up everything so he

is freezing relations with the EEC as well," charged Mr. Demirel. He claimed that the freeze would be the first step out of the EEC.

Other opponents to the freeze claim that Mr. Ecevit has taken the easy way out under the influence of anti-market bureaucrats. They maintain that the move will do irreparable harm politically by leaving Turkey behind the political unity movement which Greece is joining. They also claim that with EEC competition now more remote Turkish industrialists will continue to persist in uncompetitive industries and make fat profits.

## Problems

Mr. Ecevit says that Turkey has problems not only with the EEC but has to fight the gravest economic crisis in its history. The five-year grace period would enable Turkey to put its house in order and provide a breathing space for Ankara and Brussels to sort out their problems. There was no question of extending the five years.

Ankara intends to open negotiations with the EEC three years hence, in the light of the new conditions which would come about with the Community's expansion.

While asking for the freeze the Turks also placed a monumental financial request before the Nine. In Brussels Turkish officials told the EEC that Ankara was counting on raising

## Army

CONTINUED FROM PREVIOUS PAGE

defence to be dependent on the decisions or indecisions of other countries, states Mr. Ecevit. Explaining why there is a need for a new defence concept, he continues:

"Though it has for many years contributed, far beyond its economic means to the common defence system to which it belongs, Turkey has recently been put into a position where it had difficulty even in purchasing with cash from its allies the defence material and equipment or the spare parts for the equipment and material it possessed. This painful experience has clearly shown the risks involved in making our national security dependent beyond a certain point, on external sources, particularly on one source.

## Concept

"To avoid making the same mistake Turkey was obliged to formulate and carry out a new national security concept. This should be a concept which should take into consideration not only the importance of our membership in Nato but also give priority to safeguarding Turkey's national security," says Mr. Ecevit.

He suggests a fundamental change in the army: "Instead of a defence system which relies heavily on large manpower," he says, "A national defence force shall be formed which meets the demands of modern defence technology, which has superior fire power, strike potential, mobility and effective communications."

Another dimension which he emphasises is relations with the countries surrounding Turkey: "Friendship with all regional countries is essential for national security," states Mr. Ecevit. "Measures of national security or contributions to mutual security systems should not be such as to instigate suspicion and distrust in the other countries of the region."

While the sections of the concept pertaining to foreign policy are being carried out the modernisation of the army will have to wait more affluent days. In any case Mr. Ecevit's new concepts about defence are still not concrete or detailed and are more philosophical than practical.

Regardless of what Mr. Ecevit may be contemplating, Turkey appears to be obliged to continue relying on the West in general and the U.S. in particular for its supply of arms. Soviet Chief of Staff Marshal Ogarkov who visited Turkey earlier this year hinted that the Soviets could sell arms to Turkey but this does not seem to be feasible.

It is for this reason that the Turkish-American talks on the formulation of a new Defence Co-operation Agreement (DCA) will be crucial. The talks are to start this month in Istanbul. The capital.

Turkey had responded to the

from the Community about \$8bn of the \$15.4bn external financing required by the fourth five-year development plan (1979-83).

They requested \$4.4bn under a new financial protocol, \$1bn in emergency aid, \$1.5bn through the OECD and \$960m in foreign private capital investments. The EEC's reaction was that this was an "unusual" request.

It appears likely that by the end of the year Turkey will have an official reply from the Community and act accordingly. While the Community is expected to agree to the freeze it would be unrealistic to expect that the financial request will be granted to the extent demanded by Ankara.

Generally speaking, while the freeze may numb the pain in the Turkish-EEC relations it will raise many crucial questions.

If the Turkish-EEC relations are to be shelved for five years will they ever be reactivated? What will happen to Turkey's request to be included in the EEC's policy formulations? Will Greece not make life unbearably difficult for Turkey after it gains full membership? Perhaps economically most important, after Greece, Spain and Portugal become full members, flooding the EEC with their agricultural products, will those of Turkey have any chance at all? Last but not least, is Turkey missing the European bus?

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# The plight of emigrant workers

YEARS after the West German Government imposed a further recruitment of workers in the wake of the crisis, the policy of recruitment, the employment of workers from non-EEC countries, has been reconfirmed in Bonn, according to Herr Reinhardt, State Secretary in the Federal Labour Ministry, it does not accept the reality of a million people being work in Germany, but serves the interests of the "guest workers" in the country.

The Government's aim, Strechke said, "to cope with the problem of integrating foreign workers and families and, among other things, of keeping the number of unemployed foreigners as low as possible."

## Objective

Integration of foreign workers into the German society has been the Government's declared objective since boom times, not only for the duration of their stay here. Between 1973 and 1977 more than 2.5m workers from the underdeveloped regions of Europe came to the "economic miracle country."

When their total dropped to 1.8m in the years after the boom, entry had been barred. Nevertheless, the number of workers (by far the largest group of foreign workers) remained or less unchanged at just over 500,000.

The Turks know that, as non-EEC citizens, having left the country they would not be allowed to return. As a consequence of their now prolonged stay, their wives and families have been coming in to an increased degree, swelling the Turkish population in the Federal Republic to more than 2m.

Many of the Turks who first came subscribed to the idea of traditional Turkish-German friendship, remembering the aid fought side by side with the Germans in World War one. Little did they know that the Germans would soon brand them the least likeable of foreign workers — if one were to believe a public opinion poll a few years ago.

The fears and bushy mustaches of the men, the

shawls and baggy trousers of the women, the smell of garlic and onion, their refusal to drink alcohol or eat anything likely to infringe Muslim law, seemed alien and suspect to the average German. This, and their inability to speak the language, tended to drive them into isolation.

Thus, most of the Turks live in ghettos of big cities under appalling conditions. Complete districts, such as Kreuzberg and Wedding in Berlin, have become "little Turkey". And only a few elderly Germans have stayed. So, the houses are crumbling and often no kitchens. Ten people to a small room is by no means rare.

The same applies to areas in Cologne, the big cities of the Ruhr valley, Frankfurt and Munich, where Turks are building together in tight groups.

Landlords often demand shocking rents for tiny rooms without warm water or heating. Bathrooms and kitchens have to be shared by as many as 15 families. Frequently, employers accommodate whole families in empty factory halls or even in former army barracks.

Before the recruitment ban, any housing was good enough for the foreigners. The Germans liked to argue that the Turks are not used to anything better at home, perhaps thinking of mud huts in Eastern Anatolia.

The Turks themselves prefer to save as much money as possible to send home or to start a business in Turkey on their return. While, in 1977, they transferred more than DM 2m to Turkey (a little less than in 1973) their savings in German banks, the so-called "Turkish treasure," are estimated at more than DM 4bn.

However, with the arrival of wives and children in great numbers, problems multiplied. The birth rate (extremely high in the case of the Turks) rose and the German authorities—declining to stop the inflow of Turkish dependents on the grounds that such action would be inhumane—started to demand "adequate living space" as a condition for a residence permit, apart from a job contract of at least one member of the family.

Although the Germans are not keen on the menial jobs done by Turks (in some cities garbage removal would come to a standstill, if the Turks left), unemployment may well present a real threat of expulsion. At 4.5 per cent of the Turkish labour force in August, it was slightly higher than that of the German working population as a whole.

When a Turkish worker becomes redundant, he is to some extent at the mercy of the authorities which have discretion in renewing his permit. He can stay and exhaust his unemployment benefit for up to two years, but then is likely to lose his permit, and if a job is coveted by a German becomes vacant, it tends to go to the German.

Only after living and working in Germany for five uninterrupted years, can a Turkish worker feel relatively safe. He can then apply for a special work permit, which enables him to find a job without going through the official employment service.

After eight years, if his German is fluent, and if he has a flat and sends his children to school, he can acquire a kind of "second-class citizenship" in the form of permanent residence and work permit.

## Schools

One-third of the Turks have lived in Germany for longer than six years. Since the duration of their stay is expected to extend rather than decline, the Government is now facing a problem which has so far not really aroused public interest. It was the Federal President, Herr Walter Scheel, who recently drew attention to one group of foreigners whose plight is the worst and appealed to his compatriots "to give this group a chance of a decent future."

President Scheel was referring to the more than 1m foreign children here, 350,000 of whom are Turkish and whose situation is appalling. One German newspaper of repute describes their lot as "misery of the second and third generation." Experts in the Education and Labour Ministries are speaking of a "social time bomb" unless something is done about these children.

The Turkish children especially

are confused by the discrepancy between their rather medieval home life, where the father strictly rules the family, and the bewildering leniency and different values of German society. Only about 15 per cent of the Turkish children go to kindergarten, and in Baden-Wuerttemberg, for instance, one foreign child in three does not go to school. Girls often remain at home to look after younger brothers and sisters while the mother goes to work. Frequently the parents do not even know that schooling is mandatory in Germany.

Only 35 per cent of the 500,000 foreign children now attending German primary schools complete the course and only about one "guest worker" child in a hundred goes to higher education. The main stumbling block is language. Unable to understand anything, Turkish children attend normal German classes taught by teacher untrained for such an emergency. And even teachers of their own nationality drill them in preparatory courses for subsequent German schooling—courses which numerous schools have initiated—the result is often, in the words of a Turkish parent committee, that "our children are becoming illiterate in two languages."

An additional nuisance—in the eyes of German teachers—is the Koran school which has been established in all larger German cities. In Duisburg, on the Ruhr, for instance, between 50 and 80 per cent of the Turkish pupils put in an extra three hours at these schools, where hodshas teach hatred against anything going against the Koran, using the rod, if necessary, to hammer the message home.

When Koran school is over, the children are often too exhausted to do any homework for the German school.

The tragedy is that what started at school continues afterwards: the rate of unemployment among young foreigners is four times as high as that of German youth. In his speech urging help for the foreign children, president Scheel said: "There are already 110,000 young foreigners here without professional training. Each year there are more. The vision—that in a few years there will be a million foreigners here, without job training, without work, without language proficiency, outsiders in a society which has never given them a chance, full of hatred against this society—this, unfortunately, has a very real meaning."

Although the Government has yet to develop a realistic, future-orientated concept to improve the educational chances of guest worker children—the only thing that could really lead to a change—it should be noted that more than 150 German organisations are trying to stop a whole generation falling into a social abyss, among them the political parties, the churches, the trade unions and many welfare organisations.

Last month, Herbert Ehrenberg, the Federal Labour Minister, promised some financial assistance to the Turks in Germany. DM10m will be spent to ensure the language training of Turkish children, and DM1.5m were granted to set up information offices to advise their parents on the intricacies of German life.

The question is—will this be enough?

Elgin Schroeder

## Unemployment

CONTINUED FROM PREVIOUS PAGE

that real wages will not fall below their 1976 level, and to an extent, pegs them at that level. At the time, Mr. Tunc said that workers should sacrifice when the interests of the nation are at stake but stressed his trust in the Government for its taking "courageous steps" and putting more importance on the labour sector than all its predecessors.

However, in exchange for some limitation on wages the Understanding promises, in fact, new safeguards for workers against lockout and mass layoff. It is an important step towards involving workers in the management of enterprises. And it involves the unions more deeply in the process of policy making.

Labour experts such as Prof. Ekmeleddin Zafar Gul of Istanbul University welcomed the Understanding with high hopes that it will help reduce unemployment and reduce wage-push inflation. But the employers have been

reserved—in part because they were not consulted and in part because moves to worker participation strike some employers as tantamount to Marxism.

But the most heated criticism has come from the radical labour confederation, DISK. "A document of betrayal," commented its Secretary General, Fehmi Isiklar. As for the special DISK meeting held in Oren from August 1-4, this concluded: "In reality the agreement signifies a wage freeze. Rights that have been achieved are rendered ineffective, the right to strike and free collective bargaining are threatened."

DISK is, in fact, a very different animal from Turk Is. week to five days and to it believes in class unionism and the "anti-fascist, anti-imperialist democratic struggle." It takes clear political positions on such matters as Kemal Turkler, supports the urging Turkey's withdrawal from NATO and the abolition of the laws used to ban the native to the present Govern-

ment is a fascist government. Ironically, it was only with the help of supporters of Mr. Ecevit that Mr. Turkler was displaced. At the time it seemed possible that the displacement of Mr. Turkler who had pro-communist support might lead to a change of line. But this has scarcely happened. Indeed, DISK's May Day rally was marked by demands for the legalisation of the Communist Party of Turkey, the only one in a NATO country still to be banned.

Yet its leaders support Mr. Ecevit. Its President, Abdullah Basturk, does so "with conditions," insisting on steps, for instance, to reduce the working week to five days and to "disperse the fascist dens and ensure security of life and education." But his main opponent, his predecessor positions on such matters as Kemal Turkler, supports the urging Turkey's withdrawal from NATO and the abolition of the laws used to ban the native to the present Govern-

ment is a fascist government. Ironically, it was only with the help of supporters of Mr. Ecevit that Mr. Turkler was displaced. At the time it seemed possible that the displacement of Mr. Turkler who had pro-communist support might lead to a change of line. But this has scarcely happened. Indeed, DISK's May Day rally was marked by demands for the legalisation of the Communist Party of Turkey, the only one in a NATO country still to be banned.

Still, for all the battles between Turk Is and DISK over who represents the Turkish worker and which policies should be followed on one matter the two confederations are agreed. At the end of last month they announced that they would put their differences in ideology and aims aside in order to democratically fight anarchy.

D. T.



The Turkish population in West Germany is now more than 1.2m and the Turks are by far the largest group of foreign workers in the Federal Republic. The Turkish trainees (above) are working with a Berlin clothing company

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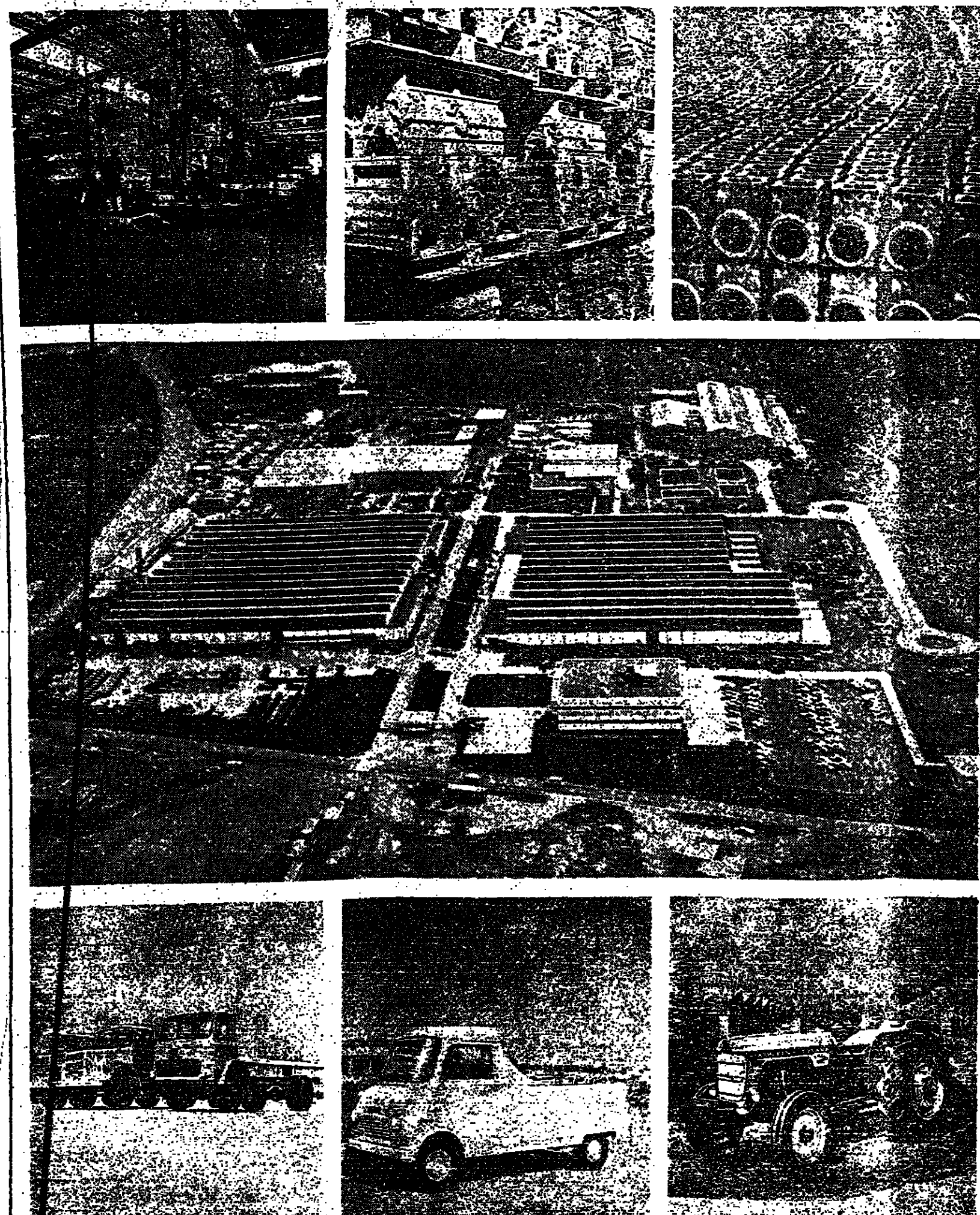
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## TURKEY X

# Relations with the West

"I OFTEN think the West regards us Turks much as Caliban was regarded by Prospero in 'The Tempest'." It is a real crisis in Turkey's relations with the West and one which goes very deep. Turkish views of the West are coloured by bitterness, a certain self-doubt, and a strong sense of rejection and isolation. There is a constant search—and not only by the political Left—for alternatives to the Western connection, perhaps in the Third World, the Islamic Middle East, or even the Eastern Bloc.

### Crisis

The seriousness of this crisis is not as perhaps some observers imagine, a straight reaction to the aftermath of the 1974 invasion of Cyprus. This had some part, it is true, in strengthening the perception by many Turks of their country's isolation. But most Turks are fully aware that, because of Turkey's importance as a military ally, the Western world has been anything more sympathetic to them in their disputes with the Greeks and in Cyprus than have the countries of the developing world or the Arab Middle East.

It is puzzling, therefore, to find that, despite all these affinities and connections, there is a real crisis in Turkey's relations with the West and one which goes very deep. Turkish views of the West are coloured by bitterness, a certain self-doubt, and a strong sense of rejection and isolation. There is a constant search—and not only by the political Left—for alternatives to the Western connection, perhaps in the Third World, the Islamic Middle East, or even the Eastern Bloc.

The more important of these two themes is the absorption into the Western liberal tradition, and thus into much of the West's mass media, of the

## Taking planning seriously

"A SHIP needs a compass and a country needs a plan." This statement by Mr. Sâkî Sabancı, the industrialist who presides over the Union of Chambers of Industry, is evidence of how the business community accepts the idea of some central planning of the economy. But Mr. Sabancı, like other industrialists, criticises the small print in the Fourth Five-Year Plan. The 8 per cent target set for annual growth rate of GNP in the period 1979-83 is seen as over-ambitious. Equally serious, he considers, is the lack of attention given to the financing required by the plan, to supplying the technical manpower necessary and to the overall manpower implications of the plan.

Because of economic problems the Government expects the initial rate of growth to be lower than the average, 6.8 per cent, rising to 8.5 per cent by the last two years of the plan period. This overall target is higher than the 6.8 per cent average annual GNP increase achieved in the years 1963-77 but could conceivably be attainable on two conditions—that major economic crises of the sort seen twice in the last 15 years are avoided and that the necessary finance and savings can be secured.

But this last point, like the labour implications of planning, has consistently been given inadequate consideration by the authorities—omissions all the more glaring given that the troubles in these two sectors are the most grave elements of the present crisis.

Throughout the planned period three main sources of the funds necessary to finance investment have been identified—foreign income, savings in the public sector and an increased savings rate by the private sector.

Then the incremental capital-output ratio fell sharply, meaning that despite the aid shortfalls it was still possible to meet gross output targets. The continuing problem, however, has been how to obtain savings in the public sector. In fiscal 1977, for example, the net borrowing requirement of the public sector was TL 77bn, the equivalent of 9 per cent of GNP.

As a percentage of GNP, savings have never come up to planners' targets. In the 1973-1977 period the aim was for total savings to increase by 13.6 per cent annually. In fact they grew by an average of 6.3 per cent annually. Their shares in GNP averaged 19 per cent, instead of the 23.3 per cent laid down in the plan. As for the marginal savings rate—that crucial measurement of what share of income increases is saved—this was well under half mark by the economist Sir Arthur Lewis that "Making the Fourth Five-Year Plan a target marginal savings rate popular activity of the govern-

ments of underdeveloped countries since the war, and is simply also nearly their biggest failure." In Turkey the SPO makes use of simple growth models, macro-analysis and sectoral breakdowns. The plans are indicative for the private sector and mandatory for the large public sector.

At first sight they have been successful in that the gross target of a 7 per cent annual increase in GNP has been virtually met: the actual outturn between 1963 and 1977 was an annual 6.8 per cent. But the

CONTINUED ON  
NEXT PAGE

### Unhappy

The Fourth Five-Year Plan continues this unhappy tradition. It sets the overall target of reducing unemployment outside agriculture from 1.6m to 1.1m during the plan period. But the first of these figures seems to be a serious understatement and the second to be wishful thinking.

The OECD long ago talked of the "threat of serious structural unemployment over the medium and longer run." The massive population shift towards the cities; the large numbers of young entering the work force; the increasing number of women seeking work; the reduction in emigration abroad; the destruction of much of the artisan-scale production; and the increasingly capital-intensive nature of the new plants—all these mean that the increase in the labour force is bound to continue to exceed the number of new jobs.

The failure to tackle such problems is the more striking given that planning is no new flower in Turkey. The country's first planning attempt went into effect in 1934 and aimed merely to stimulate industrial development through state investments and to make the best use of the then Soviet credits. A second plan had to be shelved because of the anti-statist mood when the U.S. first moved in under the Truman doctrine after the war.

It was not until the military revolution of 1960 had overthrown the increasingly autocratic rule of Adnan Menderes and of his free-enterprise Democratic Party that planning was re-introduced. A State Planning Organisation was set up and plans required both as an antidote to the economic confusion of the late 1950s and in an attempt to ensure a more rapid development of the country through stimulating industry.

Arguably planning has had some success in bringing cohesion to economic thinking but its results have been offset by a series of economic and political crises and the effects of a consistently overvalued lira. Moreover, economic progress has been achieved "without any significant impact on social and political structures," to quote a study by the University of Durham.

This study also cited a revealing popular activity of the govern-



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# Agricultural potential remains high

AGRICULTURE IS Turkey's largest single industry, it accounts for 60 per cent of the country's exports and some 23 per cent of its gross domestic product.

Significantly, the major part of the boost to exports which Turkey has seen in the past few months—a 30 per cent rise in sh terms—following the sharp drop in imports and the rise to obtain more foreign exchange has come largely from agriculture. And it is agricultural products which have figured predominantly in the series of bilateral deals the country has been concluding in the bid both to conserve hard currency and assure its basic export requirements.

Thus Turkey claims to have been able to meet its needs through the end of next year. A series of deals with the Soviet Union, Iraq, Libya and other countries, though many of them are agricultural, have been announced. The predominant products being exchanged are agricultural, of course, but were announced after crop sowing had taken place, thus doing little or nothing to affect the pattern of land use. And, despite agriculture's export success, industry took first place in national planning.

## Arrangements

Such arrangements—not after deals, the Turks insist with more than half an eye to the IMF's strictures on such contracts, but ordinary commercial transactions passing through the normal banking system—have not been limited to country to country arrangements. In the private sector, the problems of the TOPAS company's \$50m car components debts to its majority shareholder, Fiat, as a result of which Fiat cut shipments by a third, were alleviated after the tough bargaining between Fiat and its major Turkish partner, have made the creation of more industrial jobs essential even under which Fiat took \$100m in a heavily industrialised economy, what needs to be remembered, about Turkey's rapid industrialisation over the past decade, or so is that it started from a very low base indeed and took place within a Minister Bulent Ecevit, trade agreements made in the first time months of the year have that Turkey's agricultural potential is still nowhere near being

## Diminishing

Yet agriculture's place in the Turkish economy has been diminishing: the rapid pace of industrialisation has reduced its share in the GDP from 38 per cent in 1963 to two-thirds that today and the great balance of state investment has been in industry, not agriculture.

At the same time, successive Government policies toward agriculture were geared more to political needs than economic ones: support prices rose substantially each year as a matter of course, but were announced after crop sowing had taken place, thus doing little or nothing to affect the pattern of land use. And, despite agriculture's export success, industry took first place in national planning.

The reasons for this are clear enough. For, with agricultural mechanisation—the number of tractors, for example, is now estimated at 400,000 or more, at least 18 per cent up on 1970, and private investment in agriculture has been extensive—the drift from the land has been considerable, even though more than 50 per cent of the labour force is dependent on agriculture.

That combined with the fruits of a historically high birth rate in the form of the addition of 600,000 or so people to the labour market every year would have made the creation of more industrial jobs essential even under which Fiat took \$100m in a heavily industrialised economy, what needs to be remembered, about Turkey's rapid industrialisation over the past decade, or so is that it started from a very low base indeed and took place within a Minister Bulent Ecevit, trade agreements made in the first time months of the year have that Turkey's agricultural potential is still nowhere near being

realised. On the one hand, the marketing of its products is often not up to world standards: it lags behind, for example, in packaging and grading. On the other, agricultural productivity is low—less than a fifth of that in industry even though it has been improving relatively rapidly thanks to the shrinking agricultural labour force—and a significant proportion of land—55 per cent in rain-fed areas, according to one estimate—is used for crops which are not the most appropriate for it.

Land erosion is also a problem: 54 per cent of the total land area is said to be subject to erosion, 17 per cent of it very severely. On top of this are additional difficulties over land quality. In the past 50 years, the total crop area has more than tripled, but in the last few years more and more infertile land, often village common lands and state-owned land formerly used for grazing, has been added to the arable total as the possibilities have become exhausted.

On the plus side, apart from mechanisation, there has been a heavy increase in fertiliser use, with the domestic fertiliser industry now producing around 6m to 7m tons a year (though there is little production of compound fertilisers, but this too is increasing and fertiliser imports are substantial) and a series of substantial irrigation projects as well as a greater emphasis on pest control.

## Aware

Where much of the effort has fallen down is in the back-up services and through a lack of co-ordination between the various bodies responsible for large-scale projects. Thus, on irrigation, responsibility is split between three state bodies whose co-ordination is undoubtedly inadequate and whose planning is criticised as deficient. In consequence, the results obtained have been disappointing. Agricultural credit facilities are likewise split between different bodies, each with different interest rates and conditions, duplicating efforts on this side.

Overall, bureaucracy, blamed for so many problems in other spheres of Turkey's financial affairs, is criticised generally in terms of better use and organisation of land, some of that manoeuvring will have to be directed toward opening up new markets. For agriculture has been a major subject in Turkey's wrangling with the EEC, with Turkey complaining that it receives no benefit from its association agreement with the Community as far as agricultural products are concerned. And it seems clear that with the forthcoming accession of Spain, Portugal and Greece to the Common Market the scope for Turkey to increase its agricultural sales there will be limited.

Thus, it is significant that the bilateral deals have, with the exception of the Fiat arrangement, been with Turkey's other neighbours. It is in that

the agricultural sector: decision-making is said to be too centralised with too weak a regional organisation, so that farmers have little confidence in the state agencies.

There are signs that the new Government is at least aware of some of the problems: it has, for example, greatly reduced the rate of rise in support prices which was beginning to affect competitiveness in world markets, and has started announcing them before planting. For the first time, says Mr. Ecevit, "we have approached production planning in agriculture: what to grow where, and in what amount, with a view to export possibilities."

## Faster

The need for this is apparent from a recent, unpublished, World Bank report on Turkish agriculture. That points out that demand for meat and dairy products inside Turkey is increasing faster than production, with imports likely to be necessary in those traditionally self-sufficient or exporting sectors. With nuts and fruit, too, home demand is growing faster than output.

The upshot on present trends, according to the World Bank, is that there are grounds for concern about the livestock sector, operating at only 15 per cent of potential productivity. And overall, there are serious grounds for worry about the world market position, with Turkey seeing an increase in the export availability of relatively low-value items and a decrease in her surplus of high-value products alongside a need to import some of those.

On top of this, the sectors which look like becoming increasingly important in the export mix in the future, such as wheat, sugar, and potatoes, are commodities the world markets for which are highly variable.

Yet, with all these problems, present and looming, the potential for agriculture remains high, if only because of the low rate of present productivity levels allows plenty of room for future manoeuvring to head off prospective bottlenecks.

As well as being internal, in terms of better use and organi-

direction, and especially with the Middle East countries that are unable to feed themselves. The one certainty is that, even though the fourth five-year plan aims to boost mineral and industrial exports to 60 per cent of Turkey's total, it will be a long time, if at all, before the dependence on agriculture to bring in valuable foreign exchange goes. And overall the question must be whether the balance of official emphasis between agriculture and industry has been got right, or whether agriculture should be receiving a far greater share of the attention than has traditionally been its fate.

Thus, it is significant that the bilateral deals have, with the exception of the Fiat arrangement, been with Turkey's other neighbours. It is in that

## Planning

CONTINUED FROM PREVIOUS PAGE

initial targets were met even though the first plan was scarcely being implemented and, despite the weakness in its drafting, little though had been given, for instance, to its capital requirements. More important, planning has failed to ensure the sectoral results required. The crucial sectors of agriculture and manufacturing industry have failed to develop at the rates sought while lower-priority areas such as housing and services have grown faster than the plan desired.

Further, plans have been too inflexible to absorb the occasional windfall, in particular the surge in workers' remittance in the late 1960s; these apart from fuelling inflation, had one further undesirable side-effect in that they gave the economy leeway to slip out from the "straitjacket" of the plans. Furthermore, there has been a tendency for the gaps to increase between the higher-income groups and the poor, as well as between the developed west of the country and the backward east.

One reason for all this lies in the institutions involved. The 1961 Constitution set out to make planning independent of the vagaries of politics and to

## AGRICULTURAL PRODUCTION

	1976	1977	1978*
	('000 tonnes)		
Wheat	14,850	14,985	14,700
Barley	4,900	4,750	5,000
Maize	1,310	1,135	1,300
Pulses	752	809	865
Cotton	475	690	690
Tobacco	214	254	230
Sugar Beets	9,400	9,100	9,600
Sun flower	550	437	550
Cotton Seed	760	960	860
Potatoes	2,850	2,670	2,900
Hazelnuts	243	273	260
Olives	1,087	650	900
Tea	301	300	300

\* Forecast.

Source: T. S. S.

D.W.

by directing bank credits have founded because monetary policies such as credit rationing and the preferential interest rates accorded by the Government to certain favoured fields have simply not achieved the results intended.

While the private sector has treated the plans as mere documents the state sector, theoretically bound by the plans, has rarely been sufficiently well run to ensure that that theory becomes practice.

But the third problem has been the plans themselves. In an atmosphere where the Justice Party has not put its heart behind the plans, rigorous analysis to ensure the preparation of the necessary measures to make a reality of the plans have not been included in them. Land reform remains unimplemented. The industrialisation of the country has been based on simple theories of import substitution rather than more aggressive policies. Major investment projects have lagged years behind schedule. Only now are some first steps to go beyond this being taken.

But none the less the plans have changed matters. The radical unions may dismiss them

D.T.

# Edge-za-gee-ba-she

## Quite a name, quite a company.

Eczacıbaşı (pronounced Edge-za-gee-ba-she) means 'chief pharmacist' in Turkish. The name was bestowed on the present chairman's father as an honorific title by Izmir City Council in 1909. The company has since grown into the largest manufacturer of pharmaceuticals in Turkey—'chief pharmacist' to the whole country.

The Eczacıbaşı Group is now involved in a lot more besides. It has major interests in the manufacture of sanitary ware, ceramics, tissue paper products, cosmetics, processed food, plastics, chemicals, packaging materials and welding electrodes.

One development that the Group is particularly proud of is the establishment of Turkey's first investment trust making a valuable contribution to the growth of the country's young capital markets.

The Group is currently making major investments through INTEMA, its recently-established subsidiary group. INTEMA's investments will be in the field of sanitary ware and building materials. Its initial projects include kitchen and bathroom units—complementary to Eczacıbaşı's established reputation in the field of ceramic sanitary ware—as well as bathroom accessories, gypsum and insulating materials.

Last year the Eczacıbaşı Group increased its pre-tax profits by 110% and its turnover by 52%—an impressive achievement in a time of great difficulty for Turkey.

Quite a company indeed.

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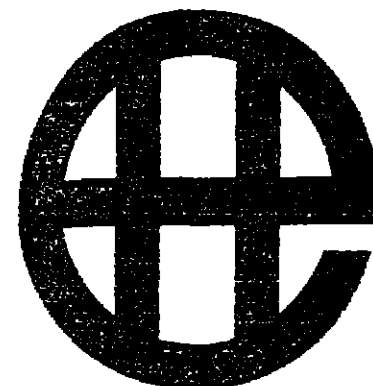
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## TURKEY XII

# Energy gap a severe barrier to progress

OFFICIALS CALL them programmed cuts. The fact is that the blackouts which regularly affect life, whether domestic or industrial, are symptoms of yet another of Turkey's ills: a serious imbalance between the demand and supply of energy.

In many ways, the energy gap is one of Turkey's most fundamental problems, affecting its chances of economic growth. Like many other developing countries, Turkey, a minor oil producer, was badly hit by the rise in oil prices after the 1973 Arab-Israeli war. As a result, the proportion of oil imports as part of total has risen damagingly. In 1972 they cost a mere \$124m and constituted 7.9 per cent of imports. Last year they cost \$1.15bn and accounted for 19.9 per cent of imports. This year they will cost \$1.2bn (reflecting a slow down in industrial activity, partially the result of the lack of foreign exchange to buy crude oil).

This represents a modest increase compared with previous years, but nevertheless oil imports will represent almost one quarter of all Turkey's purchases from abroad.

In 1960 wood accounted for just over one-third of energy resources, followed by oil, coal and dung with roughly one-fifth each. By 1977, oil produced 44.7 per cent of power, followed by wood (13 per cent), coal (12.7 per cent), and lignite (10.9 per cent). The long-term aim is that Turkey should draw its energy resources on a 50:50 basis, divided between hydro-electric and lignite resources. However, a reflection of the priority being given to the energy sector is that it is to receive about only 8 per cent of the total outlay of the 1978-83 plan.

The most problematic sector has been oil, still the largest source of energy. Production domestically has always been on a modest scale since oil was first struck in 1950. Production levels peaked in 1969, when they reached 3.6m tons (about 70,000 b/d), but have since declined. In 1977 2.71 tons of crude were produced, and the average production for the first eight months of this year was 0.8 per cent down on the same period last year. Thus between January and August production totalled 1.74m tonnes, of which nearly half came from Shell (858,592 tonnes), with Turkish Petroleum Corporation (TPAO) (629,125 tonnes), Mobil (190,970 tonnes), Dorechester, which operates with Mobil (47,425 tonnes), and Ersan, a private Turkish company (9,518 tonnes), supplying the rest. Of these producers, Shell increased production by 11.7 per cent, and Ersan six-fold; the others recording falls of between 10 and 15 per cent.

The future for Turkey's oil is undoubtedly grim. TPAO and the Energy Ministry attempt to be optimistic by suggesting that in the next development plan production levels will creep up again towards the 3m tonnes/year mark and beyond. And there is installed capacity to cope with this without damaging oil reservoirs. Even so the oil deficit will continue to increase.

## Disillusioned

Foreign oil companies, whose contracts are broadly based on an agreement to explore and develop oil resources against the payment of 12.5 per cent of income in cash or kind, are increasingly disillusioned with operations in the country. This is, firstly, because there seems to be general agreement that there is little more oil to be found in Turkey. (At least in viable terms, the most likely areas are probably offshore in the controversial Aegean Sea, where since the crisis over the oil survey vessel Sismik 1 in 1976 which almost brought war with Greece, exploration has been confined to uncontested areas of territorial waters.) Secondly, Mobil, Shell and BP are owed between them over \$150m for payments for crude oil delivered to the Atas refinery at Mersin, where production has as a result been seriously affected.

Shell last month withdrew one of its two remaining exploration rigs, and intends to remove the last early next year. Thus the onus for exploration has rested largely with TPAO, which is carrying on—next year some 30 drilling rigs will be in operation—with more energy than success. But even so, TPAO admits that because of economic problems only 54 per cent of its drilling programme was carried out last year (when five new fields were discovered in Botukayla, north and south Adiyaman, Sivriyepe and Dodan). In addition shortages prevented it importing four drilling rigs from Romania.

General estimates see Turkey's oil reserves—barring unexpected discoveries—running out in 15 years. Meanwhile, the Government has concluded supply agreements, which according to Mr. Deniz Baykal, the Energy Minister, will cover Turkey's oil requirements until the end of next year. The first is an initialled agreement with the Soviet Union to provide 3m tonnes/year against the equivalent of 2m tonnes/year of wheat for three years. The second involves the quarrelsome repayment of \$234m debts to Iraq and the delivery of 1.6m tonnes of wheat between 1979 and 1983 and other commodities against the guarantee of 5m tonnes of oil next year. Libya has agreed to supply 3m tonnes next year. And Iran, last July, agreed to supply 1m tonnes of crude and 0.5m tonnes of products from the Abadan refinery against such commodities as cement, glass, and meat. This import of some 12m tonnes plus domestic production of under 3m tonnes should cover domestic needs, next year. Yet another illustration of how Turkey is attempting to get round its foreign currency problems.

Turkey's hopes of easing its oil problems have been further damaged by a dispute

with Iraq over the oil pipeline between Kirkuk in northern Iraq and Doryol. Pumping was halted at the beginning of 1978 because of a debt of \$234m owed by Turkey and differences over the pipelines' throughput royalties. The pipeline, two thirds of whose 980-km length passes through Turkey, has a throughput of 35m tonnes/year and is now functioning at about 15m tonnes/year. This suffered a further setback last month when an explosion, possibly caused by sabotage, halted pumping for about a week, caused the loss of 5,000 tonnes of oil and cost about TL 15m to regain.

The weakness of the petroleum sector has deep bearing on the future policies of power generation. The long term aim is that dependence should ultimately be shared by hydroelectric power and lignite (which though less powerful, generating than coal is less wasteful and more plentiful). But the production of electricity has recently fallen behind demand (of which industry consumes nearly three-quarters and domestic use about 19 per cent). In 1977, electrical production totalled 20,475 Gwh, a rise of 12 per cent over the previous year. The hope was that with the plants Tuncbilek B-11 and Seyitomer III—coming into production, output would rise to 23,200 Gwh (including 600 Gwh imported from Bulgaria), but official figures for the first eight months indicate that electrical generation has risen by just under three per cent over the same period last year, far below the rate of expansion required.

According to the State water authorities (DSI) there are some nine dams with associated hydro-electric plants and another 16 hydro-electric plants in operation. The former sector with a capacity of 8,112m Kwh and the latter 214,999-Mw, with another 9 dams with power plant capacity 3,991 Cwh and two hydro-electric plants (capacity 130.5 Mw) under construction. Long term capacity of projects (either under design and ready for construction or in the final stages of design) are aimed at raising electrical power generated in this section by 13,919.8 Gwh. But the main projects are all more than one year behind because of financing problems, making the chances of shifting away from costly dependence on imported crude oil the more distant.

By the end of the century the Turkish Government hopes to boost the proportion of generating capacity from hydro power to 50 per cent from its present level of between 20-25 per cent. In 1977 there were 18 plants totalling 1,745 MW operating and another seven stations totalling 3,374 MW under construction.

In April of this year the

Devlet Su Isleri (Turkish Water Authority) placed a \$1.45m contract for the design of two new stations—the 120 MW Kilickaya plant and the Camligöze project—with Japan's Electric Power Development Company. A more substantial project is the Karakaya barrage scheme in the south-eastern Taurus Mountains region which will eventually have a reservoir with a surface area of 300 sq. km. Escher Wyss of Zurich is making the six Francis turbines and Brown Boveri the six 315 MVA generators.

## Lignite

Production of lignite rose by 3.4 per cent in the first eight months of this year (on an annual basis) to 5,580 tonnes. Lignite remains at the heart of current Government planning, whose target is that by the end of 1983 energy capacity will have risen to 2,240 MW provided development projects do not slip further behind schedule.

Beyond that, the planners are hoping to use other energy sources such as solar, nuclear and geothermal. A tender has been out for some time for a 600 MW nuclear power plant on the Mediterranean coast near Stifke scheduled to be in operation in 1985. A report due out

shortly is likely to recommend the building of a second reactor (of 1,000 MW) on the Black Sea coast to be operating in 1981. Solar energy, of which Turkey has considerable potential, is used and lack of technological know-how has restricted its use to a few domestic water heaters. Geothermal energy development has not progressed beyond preliminary geological surveys and drilling.

Thus prospects for resolving Turkey's energy problems are inextricably linked with the economic situation. It may be viewed in the same light as those of the economy as a whole. But it is a reflection of the uncertainty of official planning that whereas initial estimates were that self-sufficiency would be reached by 1987 with an output of 29,106 Gwh, revised figures put demand at 45,000 Gwh by 1983.

Thus the aim now is to meet this higher requirement with something in reserve. It is a target that may well prove impossible to reach. The irony is that, as elsewhere in the economy, Turkey has the natural resources to achieve it, and the ability to make a radical change in its policies.

Anthony McDermott

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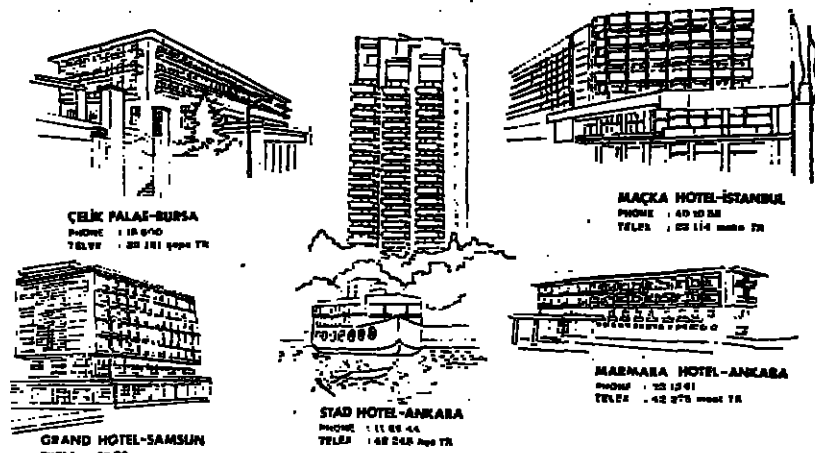
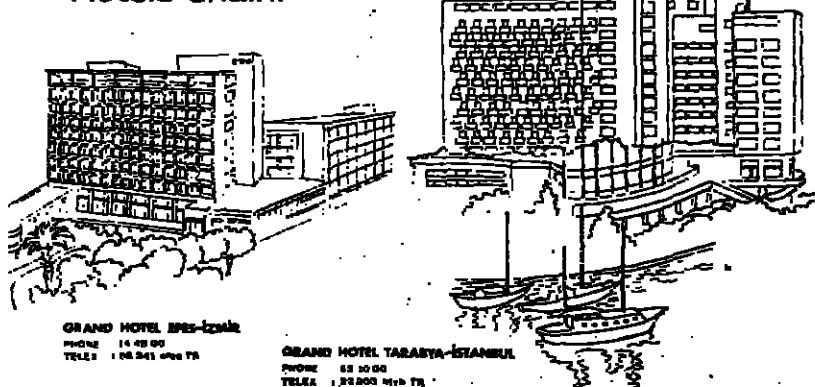
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## Shortages

In the short term, however, Turkey is faced with acute and mounting energy shortages. Programmed cuts of electricity have been reduced this year, according to the State Planning Office (SPO), from four or five hours a day across the country to two. But in 1977 the short-fall in electrical power was 837 Gwh (1 Gwh=1m Kwh) and this is likely to rise, according to the SPO to 900 Gwh this year.

The five-year plan—1979-83—is not that encouraging, for rather than concentrating on exploitation of Turkey's considerable existing natural resources, the emphasis is still more on quantifying these assets.

As in other sectors of the economy, Turkey is acutely hampered by lack of foreign exchange. Consequently, it has to break a difficult chain of linked problems. Dependence on oil will only be reduced when investment in other energy sources is increased. But in the first eight months of this year investment in the energy sector (this covers coal, transmission lines, power plants, electrification systems and nuclear power as well as oil) totalled 13.1bnTL. This amounted to 33.1 per cent of total allocations to energy for the whole year, which is itself below the average of 38 per cent of investment in all sectors allocated. The conclusion must be that official hopes that Turkey will be approaching self-sufficiency in energy—let alone have a comfortable reserve—by the mid-1980s are probably not attainable if present trends continue.

So far the country has not been overly successful in altering the pattern of its energy

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# The roots of industry's crisis

THE OLD peasant had fallen on hard times. To economise, he decided to train his donkey to eat less. So, on the first day, he gave it no food.

On the second day, the donkey seemed all right. So again it had no food. And on the third day, again without food, it died.

"Damn," said the peasant. "Just when it was getting used to going hungry." — A current Turkish joke.

"When you see exporters driving Mercedes outside your window you know you have done a good job. At the moment, it is the importers you see outside driving the Mercedes." — Turkish Central Bank Official.

## Humour

Turkish businessmen are now fond of telling the joke about the peasant and his donkey. But for them, there is little humour in it. "I know things will get better," says Mr. Rahmi Koc, chairman of the executive committee of the Koc Group, Turkey's largest business enterprise. "I just hope we don't lie first."

Turkish industry's starvation stems from its lack of imported materials and components, cut off by the Government's measures to conserve foreign exchange which have included a desperate attempt to reschedule past trade debts, thus making unpaid suppliers think twice before selling to Turkey again, and a ban, now partially lifted, on imports of all but strategic goods such as oil.

For many Turkish companies, the effect has been devastating. The country's rapid industrialisation has been pegged to a domestic market hungry for consumer durables; the machinery components and expertise for producing them have largely come from outside, supplied by partners in joint ventures or licensing deals or through normal commercial purchases.

With the supply lines cut, the level of capacity working has been slashed. In the second half of last year, according to reduced workforces from the Turkish Industrialists' and Businessmen's Association, the automotive industry was down to working at 40 per cent of capacity, the basic metals

industry to 51.2 per cent, the chemicals industry to 53.5 per cent, with few others apart from textiles (68.9 per cent) much better off.

Some small factories closed altogether; some large ones were closed for several months. Thus, BL's Turkish associate, BMC Industry and Trading, in which the UK group has a 26 per cent stake with the remainder largely owned by two Turkish BL distributors, had to cease its truck, van and tractor production at Izmir for four months earlier this year because of its inability to finance parts purchases from the UK. Its imports bill was running at around \$900,000 a month, and even now it has not reopened, it expects to turn out only 5,000 vehicles this year, half the 1977 total, and only 8,500 in 1979, despite BL having found it another source of finance.

Elsewhere in the motor industry, holidays and maintenance periods have had to be rearranged; in the case of the mainly Koc Group controlled Tofas car plant, producing Fiat cars, wheat was used to pay off outstanding debts to the Italian partner.

Today, says Mr. Koc, the car industry's problems have been much alleviated by a recently introduced hard currency attracting a Government scheme to let returning expatriate Turkish workers buy cars in foreign currency at favourable exchange rates.

## Acute

But in other sectors, the problem remains acute: Koc again, for example, has no components for its 1979 television production and nothing in view.

Even the frequent power cuts which have plagued Turkish industry for so long are now being welcomed as providing another way of reducing the call on components. At the same time, the labour shake-out has been considerable. Unemployment at the 20 per cent level, and Koc for example, has reduced its workforce from 25,000 to 20,000, with the reduction in the automotive industry being typical.

The roots of industry's crisis lie in its lack of production of

intermediate and capital goods. It has had an apparently insatiable home market, eager to buy anything it could produce at virtually any price, and it has been in supplying that demand that it has seen its profits rather than producing heavy machinery and components easily obtainable from overseas.

At the same time, it has not had to turn abroad for markets and, with few exceptions, notably in the textile industry, has not bothered to do so. The result of this equation combined with the steep increases in the price of oil (oil accounts for some 80 per cent of Turkey's import bill), has been the present foreign exchange crisis. Import substitution has been a major plank of past governments' industrial policies, and remains so for the present Government. But it has made little impact: the brunt of the attempt has fallen on the public sector, which accounts for about 50 per cent of industrial output, makes huge losses, and is acknowledged even by those working within it to be woefully inefficient. Even though local manufacture now accounts for 70 to 80 per cent of most Turkish industrial goods, and imported manufactured goods account for only 17 per cent of total sales, the second lowest total in the world, it is recognised that import substitution policies by themselves are not enough.

This does not mean they are being abandoned: a whole new series of ventures is being planned by the State Economic Enterprises, which run the public sector industries, to bring Turkey more substantially into such sectors as marine diesels, hydraulics and steam and gas turbines, construction machinery, machine tools, process plant, electronics, truck diesel engines and gearboxes, and similar items which are now largely supplied by imports. Big increases in steel production are envisaged, and there are also hopes of setting up a joint arms industry, perhaps producing military vehicles so that it is relevant to the rest of the industrial structure, with the U.S.

At the same time, however, a good deal of the emphasis is now being placed on exports of bringing Turkish companies

into a world in which, with the exception of the textile industry, they have seldom ventured.

On top of the 23 per cent devaluation of the lira in March and its subsequent weekly revaluations against other currencies (while remaining fixed against the dollar), the Government has introduced several measures to help exporters. These include tax rebates and, perhaps most important as an incentive to move out and sell abroad, a concession allowing companies to retain 25 per cent (more in some circumstances, especially in the automotive industry) of the hard capital they earn to buy necessary imports. The procedures for exporters, who need Government permission for every deal, have been simplified.

## Measures

Alongside these steps have come measures to reduce demand in the domestic market, with hire purchase restrictions tightened, bank lending curbed, and interest rates raised. Petrol prices were also put up.

To many, the measures have not been enough. Many businessmen feel the devaluation was insufficient, and there is some expectation that a second one is on the way. The fact that the measures were introduced in several stages rather than as a coherent package is also criticised.

There is concern, too, about the complications of some of the schemes: "I still feel that Turkey is a closed economy. Everything stems from that. The only solution is to float the lira," says Mr. Koc.

The scheme whereby cars can be sold within Turkey for hard currency is, he says, an example of excessive complication to achieve an object which could be solved far more simply.

For, he says, the cars are priced more cheaply in dollar terms than the same vehicles being sold for lire. And the sales are for cash rather than credit, thus eroding the additional profitability which comes from a credit sale. "So each dollar costs us more. If you freed the lira, you would get the same result without the complications. And a floating

lira would persuade expatriate workers to send more money to Turkey."

The internal austerity measures have also come under fire, notably from outside Turkey, as not being stringent enough. They have begun to bite: of that there seems to be little doubt though it is early days yet to assess to what extent. But the International Monetary Fund in particular has been putting on pressure for further steps to be taken, both to reduce internal spending still more and to force industry further to seek new markets and reduce the foreign exchange shortage.

The practical problems of forcing austerity on a people only just beginning to move into a consumer age of the type taken for granted in Western Europe, however, are immense. For, for all Turkey's rapid industrialisation over the past couple of decades, its per capita ownership of consumer goods is still very low.

The problems of the State Economic Enterprises, perennial loss-makers, are another area that much of private industry feels should be tackled more forcibly to end the drain on the economy that they have undoubtedly caused. Around half of Turkey's industrial output comes from the public sector. Apart from the normal utilities—postal services, railways, and so on—the sector has a near monopoly in minerals extraction, accounts for by far the largest section of the steel industry, and is active too in textiles, the automotive industry, and many other areas.

## Concern

The prices charged by the State Economic Enterprises have recently been raised substantially in a bid to end the drain they create on Central Bank funds, but their inefficiency compared to the private sector is a constant source of concern, and the attempts by the Government to use them to bring Turkish industry into intermediate goods manufacture, thus reducing the need for imports, has private industry worried.

"If the public sector provides raw materials and components

to industry at prices far higher than world markets can, how is our industry to compete?" asks one prominent industrialist.

The problems are well recognised within the public sector itself.

"The private sector, though able to find good engineers, is not anxious to promote capital goods activities; it has gone for consumer durables but not for the necessary production equipment, even though it is more able than the State to find the good engineers and provide the necessary technology," says Mr. Reşat Cabi of the State Planning Organisation. "Therefore the mission to produce investment goods in Turkey is going mainly to the public sector. The State has to produce the machines, even though it cannot afford to pay well enough to find the good engineers. This is a big problem for Turkish planners."

## Weak

At the same time, Mr. Cabi admits that co-ordination is weak within the public sector; machinery production, for example, is split between the Ministries of Industry and Technology, Agriculture and Transport.

The fact that losses are automatically covered by the State means that financial controls tend to be too weak, while prices—and wages—have tended to be decided on political not economic grounds.

All these problems are well recognised, and plans exist on paper, at least, for tackling them. The price rises were the first step, and these are being followed by attempts to introduce institutional changes so that the individual State Economic Enterprises are brought closer together where they work in related areas. But no one doubts that this will be a long task: the tendency to run the individual enterprises like branches of the Civil Service, and a very bureaucratic civil service at that, is heavily entrenched.

The plans to move into new areas of operation in a bid to reduce imports also need treating with some scepticism: they require new sources of finance which Turkey for the moment simply does not have. Some

fresh licensing deals covering intermediate goods have been signed, but new factories to turn out the products involved look a long way off.

If a successful programme of import substitution appears unlikely to materialise in the near future, the drive for exports is already under way. The textile industry is a well-established exporter—too well-established for some of its customer countries, notably the UK which have set stringent quotas on its products. Much of the rest of industry is just beginning to find its way abroad.

Thus, the Koc group generated only 10 per cent of its foreign exchange needs through its own earnings last year. Its overseas sales were only around \$20m. This year it is aiming for \$60m on a total turnover of \$26m, a target in which, Mr. Koc says, is in sight of being attained—though only with the help of the hard cash car sales scheme inside Turkey, since vehicles sold through that

are classed officially as exports. Koc has set up a special executive committee, reporting back directly to Mr. Koc, to study exports and other ways of doing business abroad, and which has just returned from a tour of Saudi Arabia, North Africa, and the Comecon countries. At the same time it has been reorganising its overseas sales activities generally, reducing the emphasis on its long-established RAM exporting subsidiary, designed on the lines of Japanese trading companies and going back to the individual manufacturing subsidiaries, which are increasingly expected to handle their own sales abroad.

Sabancı, too, has been increasing its emphasis on exports: its Exa exporting subsidiary was established five years ago and the group has already notched up considerable success in, for example, cement sales abroad: 400,000 tons, or around 40 per cent, of the output of its main plant went abroad last year, mostly to Arabia and North Africa.

Tyre cord is another area where its exports have been significant, with Iran and Arabia the major markets. Only two months ago, a West German subsidiary, Exa GmbH,

was set up in Frankfurt with the aim of boosting sales of plastic products, textiles and industrial textiles to Western Europe. The hope is that eventually the company will be able to act as an agent for other manufacturers, too.

One major problem is that, with so much of Turkish industrial production based on licence deals with overseas companies, producers hoping to sell abroad can run into problems with associates not anxious to see the Turkish-made versions of their products competing with them on world markets. The past few months have seen many negotiations on this with the result, for example, that Koc, which earlier this year sold 40,000 of its Arcelik subsidiary's refrigerators in Iraq, Turkey's largest single export of being attained—though only with the help of the hard cash car sales scheme inside Turkey, since vehicles sold through that

are classed officially as exports. Koc has set up a special executive committee, reporting back directly to Mr. Koc, to study exports and other ways of doing business abroad, and which has just returned from a tour of Saudi Arabia, North Africa, and the Comecon countries. At the same time it has been reorganising its overseas sales activities generally, reducing the emphasis on its long-established RAM exporting subsidiary, designed on the lines of Japanese trading companies and going back to the individual manufacturing subsidiaries, which are increasingly expected to handle their own sales abroad.

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Overcoming hostility to  
overseas enterprises

A REVOLUTIONARY change in Turkey's attitude to foreign investment in the country is being attempted by the Government. At its centre is a new code, now in draft form and likely to be formally published at the beginning of next year, aimed at overcoming a traditional hostility to the entry of foreign enterprises.

The lack of foreign investment activity in Turkey is staggering. In all some 110 foreign companies are established there, virtually all of them in minority partnership with local enterprises. The book value of foreign investment is a mere \$250m to \$300m or so. And the experience of companies which have managed to force their way in has not necessarily been a happy one.

All this is despite the fact that Turkey has one of the most liberal foreign investment laws in the world covering manufacturing and service industry (oil and gas activities are covered by a separate law). The shortcomings lie in its application by a bureaucracy that comes under universal criticism ("You could develop this country but it's against the law" is one frequent comment), so that the law's provisions are turned into a nightmare of restrictions and uncertainties.

Permission to go ahead with a proposed project can take years to come through; plans by an Italian-Swiss-French consortium for a 5,200-bed tourist complex have just been given approval after a five-year wait, for example.

The remittance of profits may be tied to export earnings or to a fixed percentage of the imported capital. Replacement capital equipment imports may be allowed only so long as the foreign exchange outlays are no greater than the annual depreciation of the plant. Machinery for expansion needs specific Government approval plus a generally hard-to-obtain import licence.

Turkish majority ownership is almost invariably insisted on.

with the further provision that any increase in capital has to come from the Turkish side, thus diluting the foreign holding still more. Royalty payments from the Turkish associate to the foreign partner providing technological know-how are often limited. The rules may be changed once the project has been set up.

Behind these difficulties lie a general tradition of hostility to outside business involvement dating back to the last days of the Ottoman Empire when the Government sold many key concessions to foreign interests, to the general detriment of the Turkish economy. The country's experiences then played a part in forming the Atatürk ideal of a virtually self-contained strong Turkey, providing for as many of its own needs as possible, and it is this persisting vision which has kept the country wary of foreign involvement.

None the less, attracted by a large home market, a strategic position at the edge of the Middle East and relatively low labour costs (which, however, are rapidly rising as inflation continues at an annual rate of some 70 per cent), foreign companies have made direct investment forays into Turkey. Indeed, one irony is that by far the larger part of Turkish manufacturing industry is dependent on foreign technological expertise, if not through joint ventures then through licensing deals.

The biggest percentage of foreign capital has come from the U.S., with maybe a third of the total, with the UK at around 3 per cent. Tourism, the motor industry, pharmaceuticals, tyres and rubber, agricultural machinery, electronics and electronic machinery are among the most favoured areas, with the Government giving preference to high technology projects and projects which are export-oriented.

Thus Fiat and Renault both have sizeable stakes in the Turkish car industry; BL has a 26 per cent holding in BMC Industry and Trading, a leading truck and tractor manufacturer. NKF of the Netherlands has 36

per cent of Kavel Kablo, manufacturers of telephone and high voltage cables; Philips, also of the Netherlands, is active in television, radio, light bulb and domestic appliance manufacture; Uniroyal and Goodyear of the U.S. have associated tyre plants in Turkey.

Other companies have almost made it into Turkey but have failed at the last minute. Texas Instruments even got as far as turning the first sod for a factory which, in the event, was built in Portugal, while Shell had a scheme in partnership with a local bank for a tourist complex which was to have been run by Trust Houses Forte but which was eventually vetoed.

And already well-established companies have run into difficulties when trying to increase investment. Thus Fiat, which has a 41.5 per cent stake in Turk Otomobil Fabrikası (Tofas) in partnership with two State organisations, with roughly 22 per cent each, and the Koc group, Turkey's largest private industrial concern, was given the go-ahead in 1976 to pump in extra capital to expand production and to change the model produced from the Fiat 124 to the Fiat 131. Capacity was increased to 20,000 cars a year at a cost of TL 695m (\$28m). Fiat was allowed to put up 41.5 per cent of this, avoiding any dilution of its holding in the company.

## Criticism

But the authorisation came only after months of hard bargaining with the Government, which included a threat to close the plant altogether. And it was made conditional on Fiat's not taking part in any future capital increase and ceasing to receive royalty payments from 1980. At the same time the local content of the cars had to be raised to 85 per cent, and 5 per cent of production had to be exported.

In another sphere, Philips, a long-time investor in Turkey and one of a very few foreign companies to have had 100 per cent owned subsidiaries, has just sold 25 per cent stakes in two of its operations. Turkish

Philips Trading, established in 1930, and Turkish Philips Industry, established in 1956 and one of the country's biggest television and sound equipment makers. The buyer, the Sabanci banking and industrial conglomerate, was approached by Philips after it had come under strong Government pressure to let in a Turkish partner.

Other companies have pulled out altogether; earlier this year Chrysler sold its 60 per cent stake in Chrysler Sanayi—established in 1962 to manufacture Dodge trucks—to the three local Chrysler distributors who made up the minority shareholders, and two pharmaceutical companies have also sold out in recent months. Indeed five years ago the number of foreign-owned or part-owned companies was almost 20 per cent higher than today's figure at 130.

Now, faced with an economic crisis of horrendous proportions, the Government is going all out to attract foreign investment. Its aim, according to Mr. Nazif Cuhur, Assistant General Secretary for Foreign Affairs and leader of last month's Turkish delegation to the European Commission at Brussels, is a foreign capital inflow of \$1.2bn over the next five years, with 70 to 80 per cent of it coming from EEC countries.

The figure represents an annual rate of investment much the same as the total so far in the Turkish Republic's 55-year history and compares with an overall \$15.4bn being sought from external resources for financing the latest 1980-5 Five Year Plan. The increase is massive but not necessarily out of line with what countries in a similar state of development to Turkey have succeeded in attracting. Turkey's difficulty is that its history of antagonism to foreign capital is going to make its attractiveness questionable to say the least.

The key weapon in the Government's armoury will be the new code, a draft version of which has already been shown outside to EEC officials in Brussels and which is also to be in evidence

at this month's OECD talks in Turkey.

One of its key promises is speedy decision-making, with one week of formal application for permission for a new project being made to the Ministry of Trade and Commerce, it is promised, the proposal will be passed to the State Planning Organisation which will deliver its verdict within a month. The years of delay will become a thing of the past. In addition the need for majority Turkish ownership may also be waived in some circumstances, with foreign companies being allowed a 100 per cent stake in service enterprises (a priority development area for the Government) and totally export-oriented projects, and up to 50 per cent elsewhere.

Freedom to transfer abroad the sum invested within the first three years of the project's beginning is to be guaranteed to the Government, subject to a possible maximum percentage in any one year to meet foreign exchange needs.

The priorities for foreign capital remain high technology-based and export-oriented projects, for the first time in the republic's life, these are to be encouraged rather than merely, as sometimes, accepted.

How effective the code is likely to be in attracting foreign investors is not easy to say. Mr. Bulent Ecevit, the Prime Minister, has publicly urged foreign companies to come to Turkey, and to assess Turkey's value as a base in relation to the region, history and compares with an overall \$15.4bn being sought from external resources for financing the latest 1980-5 Five Year Plan. The increase is massive but not necessarily out of line with what countries in a similar state of development to Turkey have succeeded in attracting. Turkey's difficulty is that its history of antagonism to foreign capital is going to make its attractiveness questionable to say the least.

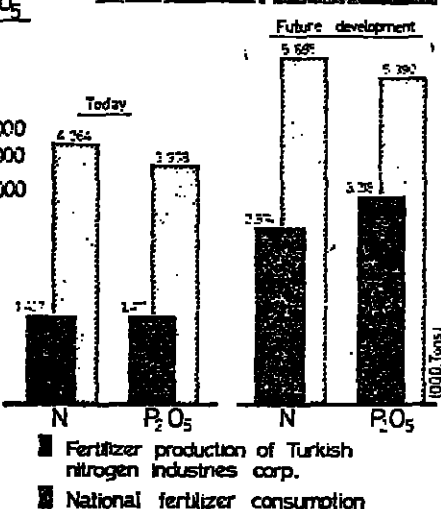
There can be little doubt that in the longer run, if the new code does succeed in improving that climate for foreign investment, Turkey's potential as an overseas companies are concerned could be considerable. The Government is realistic enough not to expect any sudden inflow of funds; rather it is hoping for a slow but steady accumulation of investment which has already been shown outside to EEC officials in Brussels and which is also to be in evidence

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Cotton Textile Industry—have 20 factories 18 of which are for manufacturing cotton fabrics or weaving and finishing departments, one of which is for manufacturing hemp and jute yarns, and one for spinning. The total capacity of weaving is 70,000 tons per annum. The total capacity of spinning is 250 million metres per annum.

Woolen Textile Industry—have 6 factories 4 of which are for manufacturing woolen and worsted cloths, and blankets, one of which is for manufacturing Wilton carpets, and one for manufacturing hand-woven Turkish carpets. The total capacity of spinning of woolen and worsted and semi-worsted yarns are 2716, 2438 and 422 tons per annum respectively. The total capacity of weaving fabrics is about 10 million metres per annum.

Ready-Made Textiles Industry—have 6 factories added to some cotton and woolen and worsted mills. Woolen and worsted men's trousers, suits, overcoats, raincoats; men's and ladies' blue-jeans; pyjamas; shirts; ladies home and work dresses and skirts and made up goods (table-cloths, sheets, handkerchieves etc.) are being manufactured.

Chemical and Ceramic Industries—have 13 factories related to ceramics, refractory materials, dye-stuffs, vegetable oil, hard-board, laminated sheets, insulating board, shoes, and viscose staple fibre. Commercial Activities—sells products manufactured in Sumerbank factories through 400 retail stores scattered throughout the country. Yearly turnover is more than TL 12,000,000,000. Sumerbank's exports to various countries have reached US\$ 22,000,000 yearly and extensions and new installations are being made in order to increase the export capacity of the firm.

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## Foreign investment code

HERE ARE the main points of the draft code for foreign investment, based on an unofficial translation:

## I. GENERAL POLICIES

1) Foreign capital establishments (FCEs) are required to accede to the economic and social targets stated in Turkish development plans.

2) FCEs are to conform with competition rules and policies and avoid abusing their dominant market position.

3) FCEs cannot pursue an unreasonable price policy with adverse effects on competition.

4) FCEs must adhere to the Government's balance of payments and credit policies. Controls may be necessary on transfer prices.

5) At the request of the Turkish tax authorities FCEs must provide information on offshore activities pertaining to those in Turkey.

6) FCEs must aim at a rapid spread of technology within as wide a framework as possible. They must establish research and development units within their organisations and train local personnel at home and abroad.

7) In technology purchases FCEs must keep prices and conditions within reasonable limits. Payments for all non-tangibles are calculated on the basis of the Turkish partners' shares over net industrial cost. Payments are limited to fixed periods.

8) The parent company cannot impose restrictions on the FCE's trade practices, specialisation and fields of production.

9 — Within the legitimate secrecy of business life, FCEs must provide general information required by the authorities, and in particular information on:

- i) the structure of the company, the name and location of the foreign partner's parent company, the affiliates in which the parent has shares and the ratio of these shares to the total;
- ii) fields of activity, sectors and location of the parent and its more important affiliates;
- iii) sales of principal products and where they are sold;
- iv) local distribution of investments in principal sectors;
- v) table showing the FCE's

fund resources and their disbursement;

vii) the average number of workers employed by the FCE and total wages according to localities;

viii) research and development expenditure;

ix) price policy between affiliates of the parent.

## II. GENERAL RULES FOR FOREIGN CAPITAL INVESTMENT

1 — Principles relating to foreign capital ownership: joint ventures are preferred, but for a certain period foreign capital can have 100 per cent of the equity in:

i) projects which are completely export-oriented, would not compete with local companies in exports and would make important technological contributions;

ii) tourism projects. Otherwise no more than 50 per cent of the equity is to be foreign-owned.

2 — Project selection criteria

(a) Projects to be permitted:

i) complex projects requiring large amounts of capital and advanced technology and management which cannot be mastered by local entrepreneurs, in fields such as machinery, metal goods, metallurgy, electrical engineering and electronic capital goods;

ii) export-oriented projects;

iii) import - substitution oriented projects;

iv) big tourism projects.

(b) Projects not to be permitted:

i) those solely domestic demand oriented;

ii) those which would compete with established Turkish export industries.

## III. FOREIGN INVESTMENT APPLICATION AND AUTHORISATION

1 — Application is made to the Ministry of Commerce by the foreign establishment or its Turkish partner.

2 — The application should include:

i) market study for goods to be manufactured;

ii) production technology for goods to be manufactured;

iii) breakdown of investments into: fixed investment, working capital and foreign currency requirement;

iv) cost analysis of the production phase and detailed information regarding items of imported inputs;

v) how investment financing will be met.

3 — The application will be sent to the State Planning Organisation (SPO) a week after being submitted.

4 — The SPO will evaluate the project within a month. Within three days afterwards

the Ministry will inform the applicant of the SPO's decision.

## IV. THE USE AND TRANSFER OF PROFIT AND CAPITAL

1 — Profit transfers and the repatriation of capital are guaranteed by the State if the investment is liquidated within three years after production starts. But the Ministry of Finance can limit the annual sum to be transferred to not less than 20 per cent in the light of the foreign currency reserve situation.

2 — Profits can be freely utilised within the company. But if they are to be used as investment funds it will be necessary to prepare a new project and obtain a new permit.

3 — In the fulfilment of capital obligations the basis will be the value of the capital in the currency which has been imported.

## V. EMPLOYMENT OF FOREIGN PERSONNEL

Applications are to be made to the SPO to employ a sufficient number of foreign personnel to implement the investment, administer the establishment and transfer technological know-how to Turkish personnel.

## VI. INCENTIVES

FCEs will benefit equally from all incentives available to the private sector.

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## TURKEY XV

# The role of land reform in rural development

AND REFORM has been one of the staples of political debate in Turkey for many years. Yet it is a subject where words have very much predominated over action.

Turkey's land ownership distribution is one of the world's most uneven. Some 2m holdings, per cent of the total, are limited to be of less than 5 hectares. There are 100,000 holdings, less than 5 per cent of the total, of 20 hectares or more, while there are around 300 holdings in excess of 4,000 hectares.

The figures speak for themselves. Throw into the equation the existence, especially in eastern Turkey, of extremely large one-family holdings, some embracing whole villages, significant degree of absentee landlordism alongside sharecropping and more conventional tenancy arrangements, and a peasant system of small-scale agriculture and the reasons for the debate come obvious.

Many holdings are too small—too scattered—to be worked economically, and there is widespread poverty among the land-

less and those with too little land. At the same time, sharecropping arrangements and absentee landlordism—about 20 per cent of farmers are sharecroppers or tenants—provide no incentive for improvements in farming efficiency.

Meanwhile the fragmentation of holdings continues as a result of Islamic inheritance law, while disputes over land ownership are numerous because of the lack of use of the land registry.

## Problems

All these problems which make land reform appear so desirable also make it a difficult objective to achieve. Only one major attempt to do so has been mounted in recent years, through the Land Reform Act which came into force in 1973.

The Act put a ceiling on the size of holdings and provided for the expropriation of land and its redistribution, the establishment of land reform co-operatives, the regulation of tenancy and sharecropping agreements, and the establishment of a Land Reform Organi-

sation. The reform was to be mounted region by region, starting slowly and gradually gaining momentum. But the programme seemed all but doomed right from the start.

For while the Bill was going through Parliament, the area involved was halved and the level of compensation doubled. A limited programme did get under way. In Urfa province in South-East Anatolia, but it went very slowly indeed.

Only about 11 per cent of the agricultural land in the province fell under the provisions of the Act, with 18,000 people potential beneficiaries, about a fifth of the rural population of the province. In all 17,68m hectares were nationalised against 38,12m which should have been. A further 12m hectares of arable land already belonging to the State were thrown in, and redistribution took place.

But it took place largely without the necessary support services. The beneficiaries were required to join co-operatives which it was planned, would also establish small rural industries and play a general part in the rural economy. But few of

the co-operatives were properly set up; almost all became in effect State farms, leaving the question of incentives to improve land use as open as before.

On top of this, the province's social structure was too strong in some cases to let reform proceed; the land may nominally have been nationalised and redistributed but it continued under the effective control of its old owners. Today, it is a not uncommon complaint among the poorer people in the region that much of the nationalised land and public estates set aside for redistribution is now being used illegally by the big landlords. The lack of precise information on land ownership on top of the other problems in any case rendered the task a monumental one.

In the event, the constitutional court was called in and, early in 1977, annulled the Land Reform Act, though it allowed it to remain on the statute book until May this year to give time for the programme set under way to be completed and for another Bill to be formulated. But none has appeared. The

Prime Minister attaches a considerable weight to land reform in his public utterances, seeing it as an important plank in a policy to bring about more social cohesion and help to end the political violence so apparent in modern Turkey. But the realities of coalition government appear to have ruled any new Land Reform Bill out of the question. And in the country's present parlous financial state, it would seem doubtful if the Government could afford a new land reform programme even if its coalition partners permitted it to go ahead, especially as in March last year landowners were allowed to revalue their land in line with existing land values, something permitted only every five years, thus putting up the cost of expropriation significantly.

## Changes

So Urfa, a province which because of the long neglect of its potentially rich soil is said to be less fertile today than in ancient times, stands alone as the site of an ill-fated experiment.

In the long run this may be no bad thing. For the debate on rural development in Turkey had tended to concentrate almost entirely on land reform, so that other possibilities received less than their fair share of attention. Today there are signs that this is no longer the case. Mr. Ecevit talks about going "to the roots of the problem [of social and political unrest] by social to the land, both through the industrialisation of rural areas and the reorganisation of agriculture."

Land reform remains important, but it is now being seen as only a partial solution to the problems of Turkey's rural areas rather than a complete cure-all. And with the gradual but increasingly important development of free farming units using modern technology and hired labour, it may well in the very long term become less relevant.

Thomas Faulkner

D.W.



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# Emphasis on education

THE EDUCATIONAL world is probably the most sensitive death blow by Atatürk in the series of Turkish society. The 1900s for its importance are heavy investment in many of its crucial to the country's struggle for rapid economic development and unlike the highly industrialising nations—East Asia, Turkey has no range of mass literacy.

It has been estimated that in the Turkish Republic was established in 1924 only 6 per cent of the population was literate. By 1970, although much progress has been made, more than half the country's population was still officially reckoned as illiterate. At every level, society, shortage of technical and basic training still constitutes a major obstacle to Turkey's efforts to transform to a modern society.

But in recent years, the educational scene has been attracting attention for even somber reasons. The Ministry of Education had long been one of the most fought over and controversial institutions in Turkish society. That polarisation has now infected almost every classroom, student hostel, lecture hall, and claimed as many as 700 lives this year alone. There are deep cultural reasons for this situation, any of them reaching back to the Islamic past and Ottoman history.

In traditional Islamic society, learning was seen as the acquisition of a fixed set of divinely ordained rules for the regulation of society. Over the last 150 years education has been thoroughly secularised. At it is still possible to discern any Islamic habits. Education is seen largely as a vocational process. Memory plays a great part in learning, even at university level. "Abstract" or "pure" science and speculation is discouraged. Philosophy, as is understood in the Anglo-American world, does not exist. In Islamic education is seen as the upbringing of the young of the sternness of social and cultural fidelity, as the technique of shaping the next generation to fit its allotted roles in society.

All this takes place in what, barring a few schools for the clergy established during the last two decades, a thoroughly secular environment. One hundred and fifty years ago, the leaders of Turkey decided that to compete with the West it was necessary to acquire Western skills and that they could only learn in Western schools. The traditional Islamic educational apparatus of the Ottoman empire withered in a few

generations and was dealt a death blow by Atatürk in the 1920s. For, over a decade, Turkey did not even have a Faculty of Islamic Theology.

When, after 1950, multiparty politics meant that demands for religious education once more had to be taken seriously by the Government, secularism was firmly established.

It is this system, inherited from the 19th Century and consolidated under Atatürk and İnönü, which provides the framework for Turkish education. Its administrative and pedagogical arrangements are predominantly those of French education. Student life consists of studying up to 15 subjects in high school, relying on memorisation, rather than the acquisition of critical disciplines, and overshadowed by the sanction of constant examination. As in other developing societies, the career prospects of a student who cannot pass examinations are dire. Ministerial decisions about just how many re-sits will be permitted during the summer tend to turn into momentous political decisions.

## Expansion

But it is not simply this emphasis on cramming which has made Turkish education into a battleground. Much more important has been the rapid expansion of schools and universities since 1960, without a concomitant increase in either trained staff or facilities. The size of the expansion is startling. In 1960 Turkey had less than half the number of university students studying in the UK. By the mid 1970s, despite the expansion in British education and despite the fact that the UK population was 14m above that of Turkey, the Turkish university student population was more than 100,000 above that of the UK. During the same period, the number of pupils in Turkish primary schools rose by 103 per cent; the number in Turkish middle level schools by 243 per cent; the number in Turkish sixth form lycées by 300 per cent; and, most staggering of all, the number of university students by just under 400 per cent.

It is instructive to see the growing gap between the number of students in Turkey and the number of school teachers available. While the number of lycée students quadrupled, for example, the number of teachers rose by less than one and a half times. Though the university

population grew almost five-fold, and the number of higher education institutions rose from 55 to 227, university teachers doubled. At the same time, it goes without saying that the Turkish educational world had neither the traditions nor the resources to endow its new centres of learning with adequate facilities. A rough patch of ground to serve as a football pitch, a pop group or folk club, and a small canteen were invariably the sum of extra curricular facilities offered to the students.

This kind of ill considered expansion may have been a necessary response to the country's population explosion and the challenge of establishing a modern society. But much of the discontent which followed was wholly predictable. Many of the lycée students cannot bear comparison with their counterparts in the West and their career expectations are inevitably frustrated. The demand for university education, regarded as a right for all Turkish lycée leavers as in France and Italy, has had to be regulated by the introduction of a national university entrance exam. In principal this might sound like the answer to Turkey's problems, for standards in secondary education vary wildly. The elitist Science Lycées in Ankara or the American Robert Academy in Istanbul are excellent schools by any standards. But many Anatolian lycées do not have their full complement of teachers and crowded classrooms hold more than 80 students.

As a result a university entrance examination was devised along lines borrowed from the American educational system. It relies heavily on an intelligence test, labelled "general ability." This may sound strange, but as a Turkish university teacher said: "The applied knowledge tests are even worse. One gets multiple choice questions which can only be answered correctly by guessing the political views of the examiner."

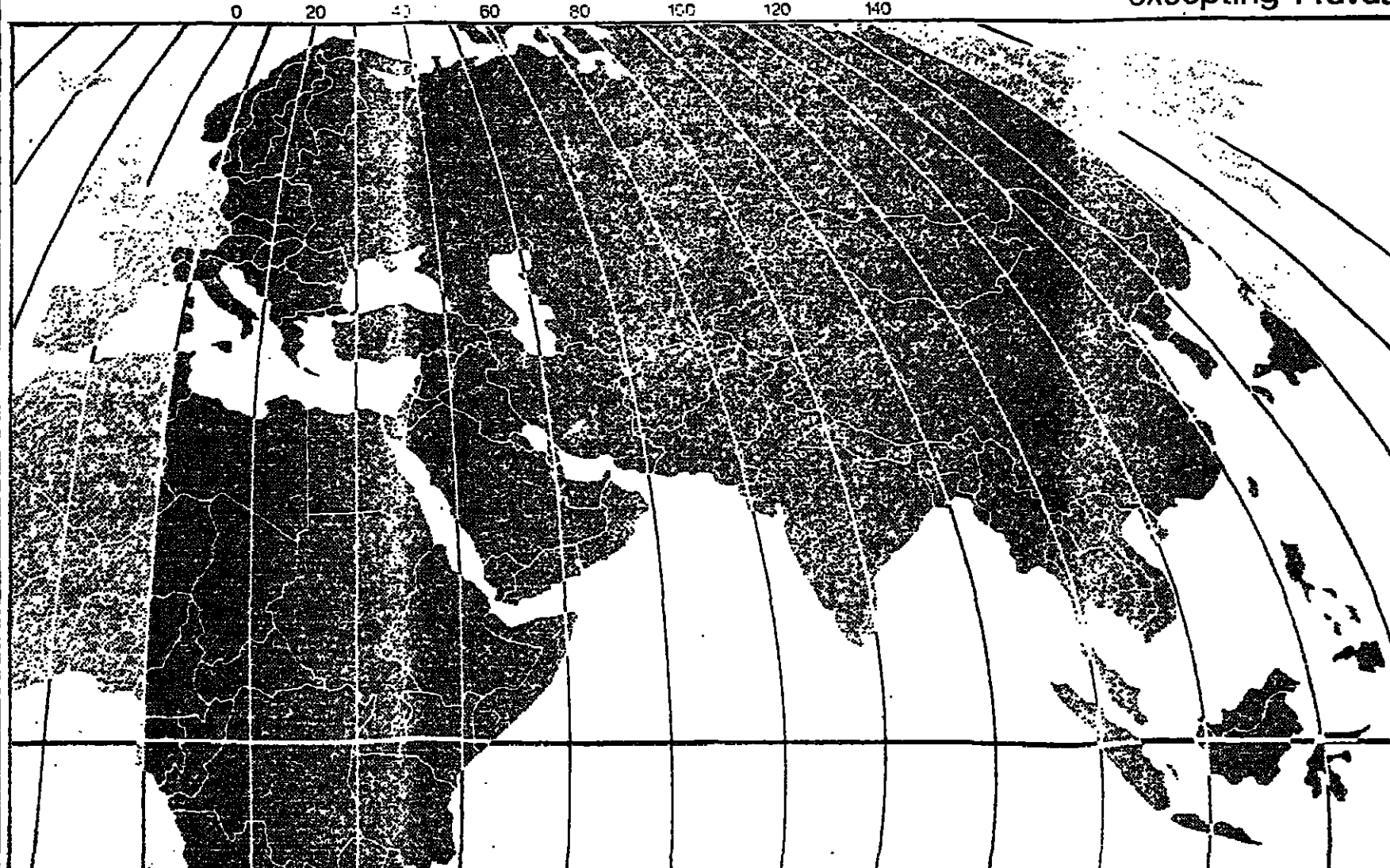
Despite this, the last decade has seen a definite improvement in the quality of university education in Turkey. Somehow the ablest students do manage to survive the system and a very high percentage go on to study for post graduate qualifications in America or Europe. The Turkish state, and latterly the private sector, give generous scholarships for this purpose. According to one estimate in the early 1970s, the equivalent of half Turkey's higher education budget was being spent abroad on postgraduate education.

A more serious problem exists lower down the educational ladder. Many of the less privileged in rural society have no hope of going to a university. They aspire instead to a simple vocational education in a teachers' training college where their expectations are limited and they find themselves on a cultural frontline in village society. The importance of the teachers' training college in Turkey was quickly realised by political extremists when the present tensions erupted a decade ago. During much of the 1970s, the teachers' training colleges were a prime target of the neo-Fascist movement in Turkey, which hoped to raise a generation of village teachers loyal to its cause. Entrance examinations often consisted of questions about the Nationalist Action Party and its leader.

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## TURKEY XVI

# Success in foreign construction work

THE CONTRACT for 46km of double pipeline to carry water to Mecca had been awarded at very short notice. Completion was required urgently. But there were no pipelaying machines available locally and no time to arrange for their import.

What the contractors did have was a mechanical excavator. Ropes and wires were attached to its bucket, and a Heath Robinson pipe-laying machine rigged up. And despite two floods the contract was completed within three months, earning the company's directors a personal telegram of congratulation from Saudi Arabia's Minister of Public Works and Housing.

The contractor involved in that profitable piece of ingenuity late last year was Enka, Turkey's biggest civil engineering group, and the company which spearheaded the Turkish industry's drive into the Middle East in 1971, some 14 years after it was set up.

Turkish civil engineering groups have built up a big reputation in the Middle East, in part because of the same sort of mechanical aptitude which keeps the streets of Istanbul filled with pre-war American cars decades after the last spare parts were available from the manufacturers. So, with domestic construction, once one of the high-fliers, now seriously hit by the economic crisis which has

curtailed both Government and private contracts alike, it could be in that direction that more of the industry's future lies. Unlike many of their foreign rivals, Turkish construction companies operating abroad use exclusively Turkish labour; they are, in effect, exporting some of that surplus manpower which used to be economically more cheerful days to be able to find work in West Germany or elsewhere in Western Europe.

### Estimates

The numbers involved may be relatively small: some 2,000 to 3,000 Turks are estimated to be working on Middle East civil engineering projects at any one time, and work in progress with Turkish involvement is estimated at \$2bn. But with Turkey's desperate need for foreign exchange and the low export-orientation of most of its industry, this activity is an important one.

Yet strangely it has received little Government recognition. The recent concession which allows manufacturing industry to hold on to 25 per cent (and sometimes more) of its foreign exchange earnings does not apply to the construction industry. Turkish ministers travelling abroad and its diplomats stationed there have been less active in trying to pave the way for the successful signing of con-

tracts than their counterparts from other countries, though this situation is changing. Turkey's financial problems also bring their own problems: letters of indemnity are not easily obtainable from Turkish banks. And despite Turkey's prime geographical location on the edge of the Arab world, communications can be a difficulty: Enka has found itself having to telegraph messages from Saudi Arabia or Libya via its West German office instead of direct to its Istanbul headquarters.

Yet the successes pile up, with lime and cement works in Libya, lime works in Saudi Arabia, road-building projects in those countries and Iraq, and so on.

Because of the problems with letters of indemnity, a foreign partner is often necessary — Enka, for example, has forged strong links with Polensky and Bilfinger Berger of West Germany, among others — but the Turkish company is far from being the junior participant as a matter of course.

In all, it is estimated, around two dozen Turkish contractors have gained Middle East contracts at one time or another this decade, and five at least are actively seeking more.

The successes they have notched up do not match those of, say, the South Koreans in the Middle East, and the steady increase in Turkish wage rates has meant an erosion of some of their advantages, though

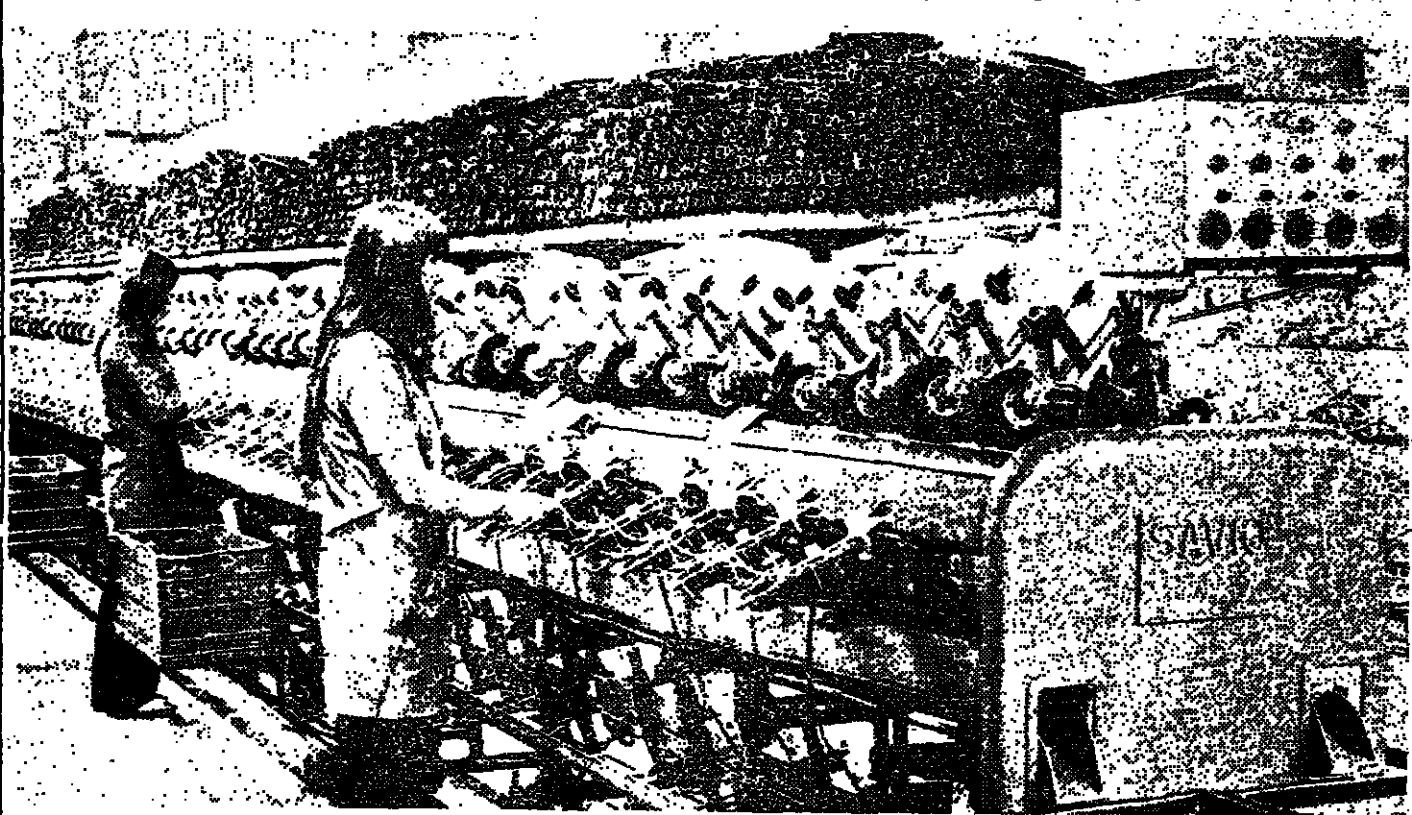
they remain competitive as far as labour costs are concerned.

Their main need, according to Enka—which derives 30 per cent of its turnover from Middle East construction—has permanent offices in Saudi Arabia and Libya, and has around 500 people working on Middle East projects at the moment—is a change in Turkish officialdom's attitudes to exports to match the priority top ministers attach to overseas sales.

There is a change, but it is slow, the company says. "Government offices are not flexible enough. We have to go to them to get a licence for an overseas contract, and likewise for foreign exchange. So it takes time. And when you are trying to win a contract time is a very important factor. If the Government thought that this was an industry which had potential for outside Turkey could do more. Turkey has considerable potential in this respect. Turkish labour potential is fantastic. And we have enough engineers to support more activities in those countries."

There are shortages at middle levels—electricians, pipelayers and other technical specialists. But with so much of Turkish industry, including domestic construction, facing lean times, this is one success area Turkey cannot afford to ignore.

D.W.



Cotton yarn production in Turkey. Until recently, Turkish yarn accounted for 20 per cent of all British yarn imports

# Textile industry wins increasing exports

AMID THE gloom surrounding so much of Turkish industry, one sector stands out in cheerful contrast. Turkey's textile industry, still exporting successfully and working at relatively high capacity levels, in the second half of last year, with much of the country's industry working at only half capacity as a result of the restrictions on imported raw materials and intermediate goods, the textile industry was averaging nearly 70 per cent working. Today at least one of the biggest groups involved, Narin Mesucat (Textiles), claims to be producing its cotton yarn at 95 to 98 per cent of capacity, a healthy figure by any standards.

Only two months ago the European Commission decided after strong protests from the British Government to suspend all further yarn exports from Turkey to the UK until the end of this year. The move followed the imposition of quotas on Turkish exports to the EEC, with a 3,000 tonnes limit for Britain, and came after claims that Turkey's actual sales to the UK in the first seven months of the year had reached 3,772 tonnes compared with 2,232 tonnes in the whole of 1977.

### Contrast

Exports are likewise healthy by Turkish standards, in marked contrast to most of the remainder of the country's industry where, after years of almost total concentration on the home market, a drive on sales abroad is just starting, prompted by the exigencies of the foreign exchange situation.

Between 1970 and 1976 they grew almost tenfold in cash terms from \$27.5m (out of total industrial exports of \$107.9m) at the start of the decade to \$272.7m (against total industrial exports of \$595.8m) six years later. Likewise, benefiting from the broad base of Turkey's rich cotton-growing regions, textiles is the sole manufacturing sector to have consistently exported more than its imports: in 1976 exports were 341.7 per cent of imports against an all-industry average of only 15 per cent.

The figures reflect the fact that the proportion of exports to domestic sales is very much higher than in the rest of Turkish industry: cotton yarn exports, for example, at an

annual average of around 60,000 to 70,000 tonnes, account for between a quarter and a third of Turkey's total cotton yarn production. This success, however, has not been achieved without arousing strong reaction from the customer countries, coming as it has at a time of growing problems for the Western European textile industries as a result of low-cost imports from elsewhere.

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In all, Turkish yarn was estimated to have accounted for about 20 per cent of all Britain's yarn imports. The rapid increase had, it was said, distorted the market and caused "serious damage" to the UK industry. The effect of the ban on the Turkish industry is difficult to assess: one of the country's largest textile producers says it has "affected us very seriously". Others are more soothing: "We laugh at the decision, because the sales involved are so small. Even if they doubled, they would still be small: 1,000 tonnes (the rate at which sales to the UK were running ahead of the quota) is not even the capacity of a small factory," says Mr. Halit Narin, president of the Turkish Textile Employers Association and head of the company that bears his name.

Two things are certain. First, the clampdown which came 18 months after the Turkish Government, at the behest of the EEC, reduced the level of tax rebates on cotton yarn exports, was imposed at a time of falling overseas sales anyway. From exports of 78,000 tonnes in 1976, sales abroad dropped to 58,000 tonnes last year and, while 1978 overall is expected to show a rise, they are expected to be up to only 62,000 tonnes, still below the 1976 level. Secondly, there is no mistaking the degree of anger the EEC (and especially the British) attitude has aroused in Turkey, especially as the curb on yarn sales has been accompanied by quotas on cloth and warning noises about made-up clothing.

In successive talks with the EEC, Turkish officials have pointed out forcefully that, almost alone of Turkish products, textiles are still subject to import duties, making, they claim, a mockery of any advance toward free trade under Turkey's associate membership of the Community since textiles constitute 34 per cent of Turkey's exports to Western Europe. On top of this, they claim, the UK ban is a straight violation of the relevant protocol between Turkey and the Common Market.

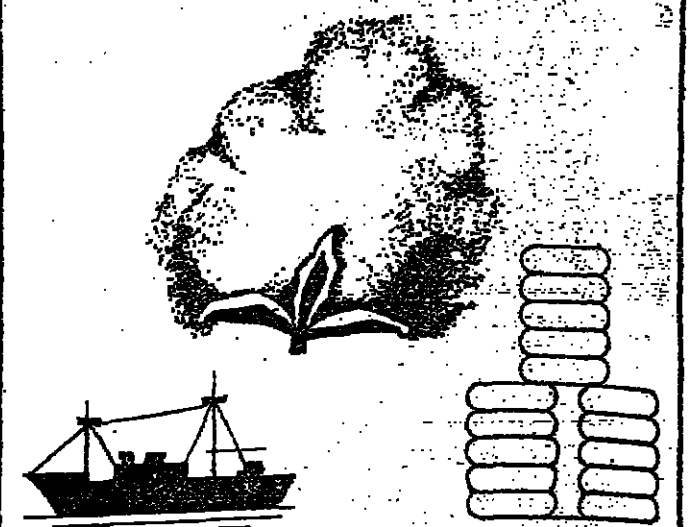
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## TURKEY XVII

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## Steel sector has grown rapidly

HIGH ON the \$8.4bn shopping list of a Turkish delegation to the Soviet Union last month were additional funds for Turkey's steel industry. Like so many sectors of the Turkish economy, steel has grown very rapidly in the past decade or so, and again like other sectors here are ambitious plans for it to grow still further.

This reflects a perennial shortage of steel within the country. Consumption has been rising very fast; this year it is expected to work out at around 7m tonnes, 15 per cent up on 1977, and the expectation is that it will have reached 8.96m tonnes by 1983, a rate of 14.4 per cent a year, with flat production leading the way with 16.5 per cent a year growth rate to 3.6m tonnes by 1983.

Production on the other hand, lagging way behind, 2.3m tonnes had to be imported last year, with 1.6m tonnes the probable total for 1978.

Turkey's main integrated steel plants, all owned wholly or largely by the state, have all been built with foreign assistance. Ismir with its deep water harbour, was built with Russian assistance in the mid-1960s, the Erdemir flat products

plant, with its smaller harbour, had U.S. help, and the pre-war Karabuk plant was realised with British credits.

Yet the industry has constantly failed to live up to expectations, despite an 8.6 per cent annual rise in crude steel production between 1972 and 1977. At one stage, the Russians complained that Ismir was running at only 10 per cent of its original 1m tonnes a year capacity; at present, the plant is currently being doubled in size and the subject of discussions with the Soviet Union aimed to raise its capacity to 6m tonnes a year at a cost of \$1.25bn.

Both it and the Erdemir plant, with a 1m tonnes capacity, have had only one of their two blast furnaces functioning this year, hit both by problems within the state organisation and the plants, leading to frequent management changes, and, more prosaically, by shortages of coking coal.

Some 70 per cent of the industry's coking coal comes from within Turkey, but the 5m tonnes produced has a high ash content and has not always been efficiently distributed, being used for domestic heating instead of by the industry.

Overall, the hope is to achieve self-sufficiency on coking coal very swiftly, at least until 1982-83 when the high rate of growth foreseen for steel production would make imports necessary again.

Elsewhere on the raw materials front, there are also ambitious plans for the construction of iron ore pelletisation plants. The first, about which talks are in progress with the Soviet Union at the moment, would be at Hasan Celebi. By 1984, it is hoped, 4m tonnes of pellets a year would be produced, with output later rising to 6m tonnes, making the plant one of the longest of its type in the world. At Divrigi-Sivas, from which 1.5m tonnes of ore a year is currently obtained (with another 1m tonnes of ore coming from elsewhere in

Turkey, and some imports, notably from Brazil), the aim is a complex with a total capacity of 3m tonnes a year.

At the back of all these plans lie the proposals for expansion of steel production itself. In addition to the talks with the Russians, there have been discussions with Japanese interests about the possible supply of know-how for the Erdemir plant, where flat product output is planned to rise to 6.4m tonnes a year by 1983. Expansion is also under way at Karabuk, bringing that up to 900,000 tonnes a year against the present 700,000 tonnes a year.

Eventually, the state sector is looking for an export market as well as supplying home industry; there are some exports of pig iron already and a market overseas is seen for steel pipes and castings, with exports of steel profiles reaching 100,000 tonnes a year by 1983.

There is expansion too in the electric arc furnace based private sector: an 85,000 tonnes a year alloy steel plant, Arcelik, is being built by the Koc group, another similarly-sized private sector plant is being planned, and other smaller private sector plants are maintaining a quiet success. Also significant is the Aliaga special steels plant at Ismir, operated outside the framework of the State Economic Enterprises but by the Mechanical Chemistry Institute of Turkey (MKEK), with a capacity of 300,000 tonnes a year.

Meanwhile, with production well below demand and restrictions on imports, a flourishing black market in steel products has sprung up, matching the black markets that exist in so many other areas of industry.

### Attack

An attempt to deal with it came earlier this year when a State monopoly was established over the importation and distribution of iron and steel products, a move which has been attacked by private customer industries as creating inefficiencies in the distribution system and creating further shortages. It also increased private sector fears of further nationalisation generally, fears which have been fanned, too, by the increasing State involvement in minerals exploration, even though Prime Minister Bulent Ecevit has specifically denied that any extra nationalisation moves outside the mining sector are being planned.

The establishment of the State monopoly was accompanied by swinging price rises, much in line with those imposed on other State Economic Enterprise products, ranging from 21 to 47 per cent, and aligning official steel price levels with those on the black market.

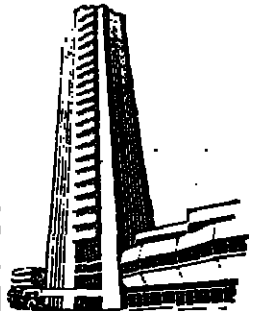
The big question mark has to lie not over whether the expansion plans will materialise as far as the physical construction work is concerned but whether they will be converted into the big increases in production being sought. The state steel industry has been plagued by the same problems affecting the other state economic enterprises, and especially the non-commercial rationale of much of the decision-making. At the same time, Turkey's energy shortages could be a crucial constraint. To produce 1,000 tonnes of pig iron takes 25 kWh of electricity; 1,000 tonnes of crude steel needs another 28 kWh; and 1,000 tonnes from the rolling mills another 120 kWh.

The hope is to co-ordinate coking coal production, steel output, and the energy programme. It is obvious that failure with the latter could be the biggest problem of all. Meanwhile, iron and steel shortages look like being a fact of Turkish industrial life for some time to come.

D.W.

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CONTINUED FROM PREVIOUS PAGE

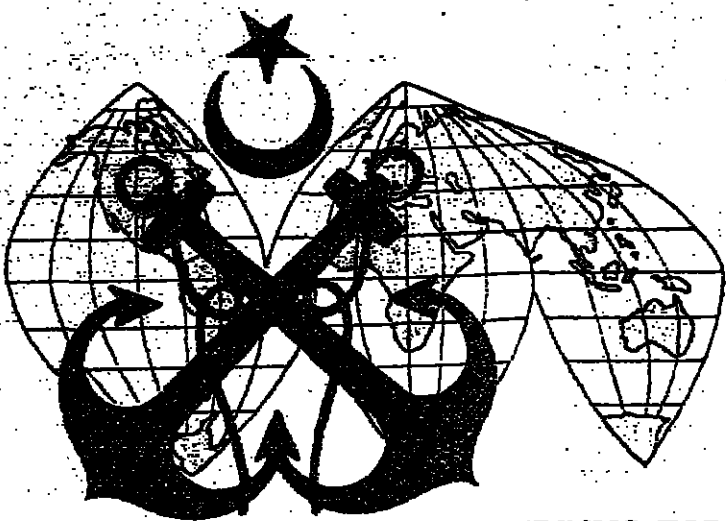
order value in excess of the importance of made-up cloth value of the total yarn import in (50 per cent of the Narin company's overseas sales, for 1973... the overall effect is one of politicians taking a sledgehammer to crack a sales mix.

Walnut, says Mr. D. J. Walsom, marketing director of Leicester-based Samuel Pegg and Son. Meanwhile, the Turkish industry is moving in to new all but in made-up clothing, and markets, looking to the Middle East for more of its sales, expanding its not inconsiderable output of man-made fibres, sending cheap suits and dresses and also increasing the to Western Europe.

Meanwhile, the nagging worry that remains is: if Western Europe takes steps against the one Turkish industrial sector which has already proved itself a successful exporter in both price and quality terms, what will it do to the rest of Turkish industry proves successful in the switch to export orientation the country needs so desperately to escape from its balance of payments trap?

D.W.

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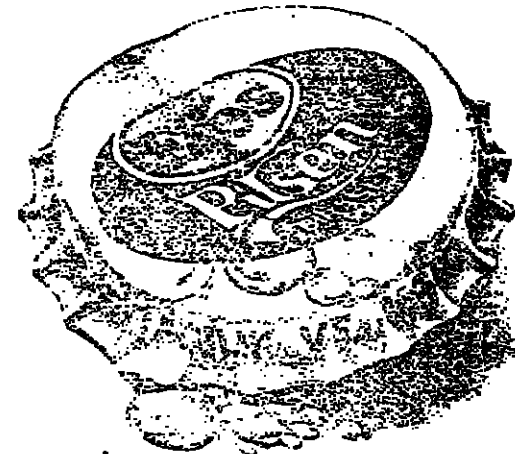
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## TURKEY XVIII

On this page and opposite David Tonge, Metin Munir and Betty Slade Yaser profile a number of leading figures in politics, business, the trades unions and industry.

## Leading personalities

## Suleyman Demirel

MR. SULEYMAN DEMIREL His rise was meteoric. Soon after joining the JP he won the more experienced politicians of Western Europe. Behind him, at the age of 53, the Right-wing politician has 14 years of continuous chairmanship of the main opposition Justice Party (JP) and nine as Prime Minister.

Many claim that Mr. Demirel has grown stale and so, under him, has the JP which after winning two consecutive elections, declined to second place after Mr. Ecevit's Republican People's Party (RPP) in 1973. Mr. Demirel's riposte is that if he is successful why should he resign?

In any case the matter was recently solved at the JP convention which re-elected this corpulent, balding politician for a new term of two years. The vote was almost unanimous. "If I go, you will all starve," Mr. Demirel told a Turkish cartoonist recently.

Mr. Demirel was born to a poor farming family in a small village in the Anatolian north-west of Anatolia. He studied engineering in Istanbul and joined the Civil Service where he had a short but distinguished career in the State waterworks. He quit the ser-jog or play golf, rarely takes a holiday and never goes on a building contractor and made trip unless required by his official functions. His whole life appears to be devoted to politics.



Suleyman Demirel

His rise was meteoric. Soon after joining the JP he won the more experienced politicians of Western Europe. Behind him, at the age of 53, the Right-wing politician has 14 years of continuous chairmanship of the main opposition Justice Party (JP) and nine as Prime Minister.

## Alparslan Turkes

MR. ALPARSLAN TURKES is one of the principal instigators of the most controversial political violence in Turkey today. His opponents charge him with being a fascist, and cartoonists often depict him as a dwarf Asiatic Hitler with either a knife dripping with blood or a smoking pistol.

Mr. Turkes vehemently denies such charges and was recently reported by the Turkish Press as having said: "If anybody calls me a Fascist or a murderer I will tear his mouth apart."

Mr. Turkes was born a British colonial subject in Cyprus, 61 years ago. His family immigrated to Turkey where, at 16, the young Turkes entered a military school in Istanbul.

He distinguished himself both at school and later, on in the army, which he joined in 1939, though was briefly arrested in the war for his pro-German sympathies.

He was sent to the U.S. and Germany to further his studies and represented the Turkish General Staff in Washington.

It was in 1960 that Mr. Turkes gained prominence. He was one of the 38 officers who revolted to overthrow the Menderes regime. The 43-year-old colonel gained instant fame after he read the junta's first statement over the radio in his subsequently cavernous voice.

He was one of the 14 junta members who were purged for allegedly harbouring "dictatorial aspirations." Mr. Turkes was posted to New Delhi and relative obscurity while the junta turned over the administration to civilians.

After his return home, Mr. Turkes entered the extreme Right-wing Republican Peoples Party and in 1964 became its chairman. The party subsequently changed its name to Nationalist Action Party and is now the fourth biggest in the National Assembly. It has 16 deputies in the 450-member assembly, up from three in 1973.

Mr. Turkes served as Deputy Prime Minister in the Demirel coalition between 1975-77.

What makes Mr. Turkes such a controversial figure is his alleged role in the political violence. It is claimed that his party's Youth Branch, the Ulku Ocaklari (Idealists' Heart) is

idealists, who are usually called commandos or grey wolves (after the legendary wolf which led Turks from the Steppes of Asia to Asia Minor) do play a role in the political violence.

There are a large number of these who have either been convicted or are on trial for crimes of political violence, usually the murder of Left-wing opponents.

As the political violence continues, so will Mr. Turkes's controversial role in politics. It will be interesting to see how his party (which attained the largest vote rate to win about a million votes) will do in the general election of 1981: it will be a type of referendum on Mr. Turkes who, in the eyes of his opponents, remains a Fascist with dictatorial aspirations.

M. M.



Alparslan Turkes

## Ismail Hakki Aydinoglu



Ismail Hakki Aydinoglu

45 perhaps make it strange that a man with his rather forceful personality should accept a post traditionally associated with little authority.

The answer to this lies in his close relationships with Mr. Ecevit and the Minister of Finance, Mr. Ziya Muezzinoglu. Co-operation between the three appears to be assured. One suggestion is that Mr. Aydinoglu will give the bank a more active role, though the responsibility for policy may rest with Mr. Muezzinoglu, particularly during the short term when the latter is seeking to right Turkey's parlous finances. Mr. Aydinoglu himself states that for the time being his aim is to implement the stabilisation programme adopted by the Government. But his long-term aim is "to make the Central Bank a more effective supervisory agency."

In 1974, he served as Minister of Village Affairs in the brief caretaker government of Mr. Sadi Imrak. His appointment created a precedent in that it was, apparently, the first time that the Turkish Republic had a minister with a foreign wife: Mrs. Aydinoglu is British.

He later became an adviser at the Central Bank and, in 1975, was narrowly defeated in the Senate elections when he stood as a candidate for Mr. Ecevit's party in Izmir.

The experience he has gained and his relatively young age of

B. S. Y.

## Irfan Ozaydinli

THERE ARE very few interior ministers in the world faced with as tough a task as Mr. Irfan Ozaydinli.

Turkey has one of the world's highest death rates from political violence, a problem which appears to have become as endemic and uncontrollable as inflation or unemployment. Hardly a day passes without some form of terrorist violence instigated by either the extreme right- or left-wing groups.

At 53, the well-groomed Mr. Ozaydinli looks more like a successful businessman than a politician or the military man which he was until he quit the Air Force last year. He had been the youngest man in the history of the Turkish Air Force to become a four-star general.

After graduating from the War Academy in Istanbul, he

went to Britain in 1945 to complete his pilot training. It is to this stay that Mr. Ozaydinli owes his good English. He was the Operations Commander when the Turkish Army attacked Cyprus in 1974.

Mr. Ozaydinli was in line to become the Commander of the Turkish Air Force. But this post was not given to him because Mr. Demirel, Prime Minister in 1977, opposed Mr. Ozaydinli's liberal views.

The general resigned in April last year and the next day joined Mr. Ecevit's Republican People's Party. He was elected deputy and was appointed Interior Minister in the Ecevit Government which came to power in January this year.

It was probably owing to his combination of toughness and liberalism that Mr. Ecevit gave Mr. Ozaydinli what was, and continues to be, the most diffi-

cult and thankless job in his Cabinet.

His aides say that the former general works almost round the clock spending virtually all his time on the police work to quell the violence. Although more arrests are being made, the violence is far from being quenched, however, and will probably continue to dominate his agenda for as long as he is Minister.

The problems he faces are formidable. Not only is Turkish youth engaged on a minor civil war, but there appears to be a split running through the whole structure of society. When Mr. Ozaydinli became Minister there were times when even the Police Force which was sent out to control mob violence would start fighting among itself. At least that is not happening now.

M. M.



Irfan Ozaydinli

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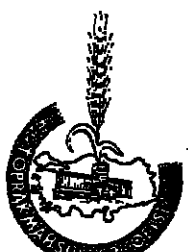
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## TURKEY XIX

M. M. Sabancı

## Sakip Sabancı

THE LAST time that Mr. Sakip Sabancı says he cried was in October last year. It was the opening of his group's \$103m tyre factory, Lassa, and Mr. Sabancı explains that seeing his dreams become reality moved him as much as might the birth of a son.

Mr. Sabancı must thus expect further such tears. His group, one of the most dynamic in Turkey, is for example now negotiating with Mercedes-Benz for the establishment of a 6,000-per-year truck plant.

Mr. Sabancı is quick to stress the faith that Turkish businessmen retain in the future, though he adds that the question comes to him of whether the West is now discriminating against Turkey. He complains of the shortages of imported raw materials and parts, labour problems and energy cuts. These year, his own factories have been working at only 50 per cent capacity, yet he says he has been able to ensure "some profits".

Slight and reserved but with a warm courtesy of many such Turkish entrepreneurs, the 45-year-old Mr. Sabancı started as a shier in one of the flour mills owned by his father, Hacı Ömer Sabancı. He is now chairman and managing director of the old company, named after his father.

This company controls more than 20 industrial firms, ranging from textiles and synthetic fibres to vegetable oils and margarine to tyres and cement. It has also just bought into Phillips local operations and is active in insurance.

The lynchpin of the group's activities is the Akbank.



Sakip Sabancı

Turkey's second largest and most aggressive bank.

The holding company concept, practised by the Sabancis is increasingly seen as one answer to the problem of capital accumulation in Turkey, one year ago 67 such "holdings" were in operation.

Hacı Ömer himself was a true "original". Like so many Turks

he was orphaned during the Ottoman Empire's battles with the British in Yemen. He started his career as a cotton labourer and till his death, in 1966, he refused to adapt to the wealth he had made through changing his peasant accent or patronising the shops, expensive tailors or, very often, razors.

He left behind him the

Akbank and a flourishing group of companies. But his greatest legacy—according to one rival—was his six sons. These have moved the seat of the group's operations from Adana in Istanbul and continued its remarkable growth. In terms of sales it appears to have overtaken that of the other great group in Turkey, that of Vehbi Koc.

Mr. Sabancı, who has three children, has a reputation for promoting young and able managers: "We have grown beyond the point of being able to put a brother in each place."

But the family remain totally in control and though they are selling some shares to the public the question of opening the doors of the boardroom has still to be faced.

"We businessmen are tied by our hearts to the free democratic parliamentary system and the mixed economy," Mr. Sabancı who is president of Turkey's Union of Chambers of Industry says—a claim more frequently heard from Turkey's businessmen than from their counterparts in some developing countries. Indeed, for all his complaints about labour he has rarely refused a dialogue.

On a recent flight from Istanbul to London he found Mr. Abdullah Basturk, president of the radical union confederation DISK, was a fellow passenger. He moved to join him. That night the man who is often spokesman for Turkey's capitalists and the arch advocate of class unionism were to be found at dinner, if not sinking their differences at least in temporary harmony.

D.T.

## Abdullah Basturk

ABDULLAH BASTURK was improvement of working conditions, elected a deputy of the Republican People's Party and a member of the Penal Code which is partly owes his present position as president of the radical union confederation, DISK, to the support of RPP unionists.

Yet he is hardly the man most loved by the Government. In the spring, his organisation was taken to the courts when it called for a two-hour strike in commemoration of the death of five students. More recently, it has categorically rejected the government's vaunted Social Understanding. Now, its support for the Government, which helped put it in office, is qualified.

A genial, fatherly 49-year-old, Mr. Basturk tells visitors to his offices midway between Istanbul Airport and the city's Byzantine walls—that DISK is a "class union" and is anti-capitalist. Marxism is the science of the working class, he explains.

Since taking office he has continued to mix calls for the

one presiding over Genel Is, which groups 100,000 municipal workers, and the other over Maden Is with its 70,000 workers in the metal-processing industries.

Mr. Turkler has long been known as one of the toughest figures on the Turkish labour scene. He fought for unionism in Turkey during the repression of the 1950s, whereas Mr. Basturk only led Genel Is into prominence in the earlier days of the 1960s.

Equally, while Mr. Turkler was one of the founders of DISK, setting it on its present course in 1967 and criticising the Turk Is confederation for "supporting employers," Mr. Basturk only led Genel Is from the sedate fold of Turk Is to the tougher pastures of DISK in 1976.

As yet, Mr. Basturk has broadly followed the furrow cut by Mr. Turkler. Maybe he has been less interested in supporting periodicals accused under Articles 141 and 142 and maybe he has encouraged less mobili-



Abdullah Basturk

sation against right-wing violence and price rises than would have Mr. Turkler. But, arguably, the real test of his mettle is yet to come.

B.T.

## Ziya Muezzinoglu

THE conference room behind Finance Minister Ziya Muezzinoglu's office, on a table under a beautifully scribbled Ottoman sultan's firman (decree), there is a tray bearing a glass of milk and a small plate of biscuits.

The Finance Minister is suffering from ulcers. He is preoccupied with a problem which plagued his predecessors during the later periods of the Ottoman Empire: how to get rid of the foreign debt and obtain fresh loans.

The Ottoman finance ministers could never solve the problem. The Ottoman debts to the West were paid off by the young republic established by Atatürk, 55 years ago.

Ever since his appointment, Mr. Muezzinoglu has been put to an average of 12 hours a day in his office and has not had a day off. An aide recalls that he went home after an hour's session to catch some sleep. Mr. Muezzinoglu was leaving for the airport to catch a plane to Istanbul to have a talk with industrialists.

Mr. Muezzinoglu has been in finance for 35 of his 58 years. After graduating from Ankara University's well-known Faculty of Political Sciences in 1943, he joined the Ministry of Finance

and steadily climbed to the top. In 1950, he became the Director General of the Treasury and, in 1962, the Under-Secretary of the new State Planning Organisation. Between 1964 and 1971 he was Ambassador to Bonn and later Permanent Representative to the EEC.

He served brief terms as Minister of Finance in 1972 and commerce in 1977, before assuming responsibility for finance again in the new Ecevit Government.

He was elected Republican Peoples Party senator in 1975. He speaks good German, French and English.

His background has equipped Mr. Muezzinoglu well for his present task of putting the troubled Turkish economy into order. He is well acquainted with the workings of the Finance Ministry, Treasury and the Central Bank, as well as the EEC. His critics, however, accuse him of being "too bureaucratically minded."

Sucking a pipe, Mr. Muezzinoglu says that he has inherited "records" from the previous Government in everything—records in foreign debt, inflation, money supply and unemployment.

He is confident that the austerity measures launched in

March this year will start stabilising the economy before long.

Most independent observers, however, are not that sure. It is likely that new austerity measures will be needed for which Prime Minister Ecevit is not willing to pay the political price.

In the course of this month there will be crucial talks with the IMF on the release of the vital third tranche of the \$450m stand-by credit. Negotiations will be tough. It is likely that the fund will not release the tranche unless new measures are taken. It will be up to Mr. Muezzinoglu to bridge the gap between the views of Mr. Ecevit and the IMF.



M.M. Ziya Muezzinoglu

## Aysel Oymen

"BEING A woman has been neither an advantage nor a disadvantage in my work," says Aysel Oymen. At 44 Mrs. Oymen became the first woman to head the Turkish Treasury when she was given the job by Prime Minister Ecevit.

She could not have been appointed at a more difficult time. Earlier this year they borrowed money from even the birds which fly overhead," she says, referring to the previous government and the \$12.4bn debts of which an outstanding \$7.15bn is short-term and in the process of being restructured.

The Treasury is in the central Kizilay district which probably has the most polluted air of any urban area in the world. On the wall there is no sign to indicate that the six-storey narrow building is the Treasury.

Mrs. Oymen works on the first floor behind a table crowded with documents and an overflowing ashtray. She has been smoking two packets of cigarettes a day since she has been Treasurer to Mr. Ecevit.

Mrs. Oymen has been in the finance world since she graduated from a Turkish university and obtained a post-graduate degree on an American scholarship from the Vanderbilt University. The degree was in economic development and

balance of payments problems which must come in useful now. For four years after this, she was an attaché in Bonn and later represented Turkey at the OECD.

Mrs. Oymen speaks fluent French, German and English. Back in Turkey she became Director General of the Finance Ministry's Department of Economic Relations.

She lost this job when Mr. Demirel came to power. (Mr. Oymen, now the Chief Whip of the Party, was not a man well-known for pro-Demirel sympathies.) Mrs. Oymen concerns herself mainly with the balance of payments and debt restructuring under the OECD and relations with the IMF and the World Bank—all of them crucial under the existing conditions of economic crisis.

She says that despite the difficulties she is full of optimism about Turkey's future because it has "great potential. The problem now is 'just a cash crisis'."

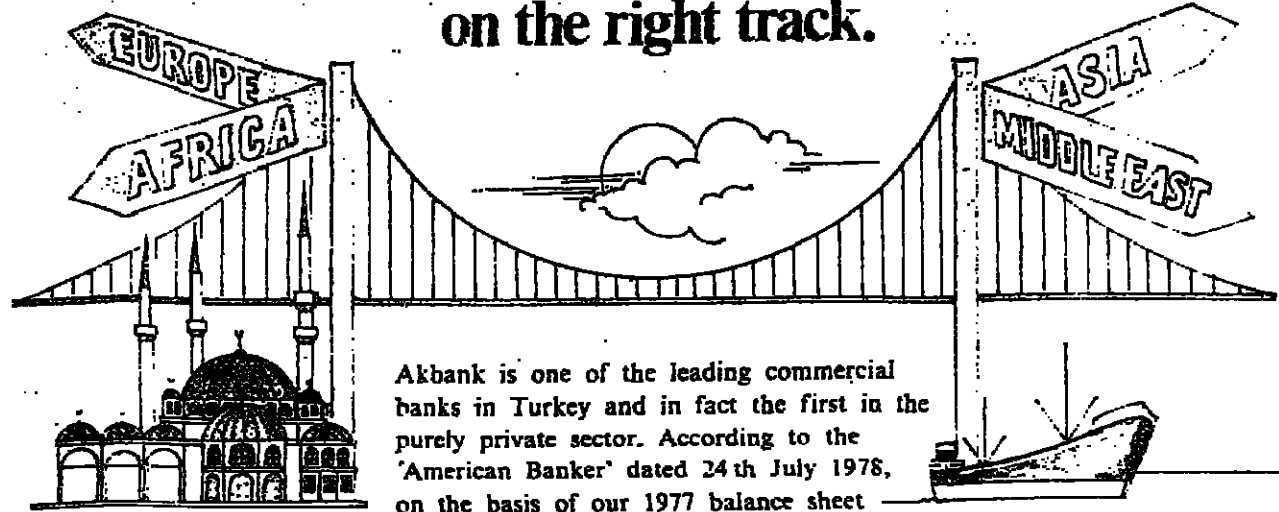
Mrs. Oymen averages 12 hours a day in the office and has no days off at the weekend. "I don't feel lonely at the office," she says, "because I am never the only one there. The number of people who try to do their best is not small."

M. M.

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## TURKEY XX

AN INTERVIEW WITH THE PRIME MINISTER, MR. BULENT ECEVIT.

## ‘...I haven’t lost my nerve’

FT Can we start with relations with the US? In what way do you think the renewal of the U.S. embargo will now affect your relations with NATO?

BE The embargo was a negative factor. The Turkish people with their long background of statehood are aware of their responsibilities, particularly of the responsibility that falls on Turkey as a result of Turkey's geo-political position. As a result, the reaction felt to the American embargo has not resulted in any rash moves in the way of radical changes in Turkey's posture.

With this negative factor removed the way is now open for the revitalisation of Turkish-American relations and co-operation. We have responded to the sincere efforts of the Carter Administration and the constructive attitude of Congress by allowing the resumption of work at those defence installations whose functions were suspended. We believe that it is impossible to dissociate military and economic matters. We stated that we would not be satisfied to continuing our military co-operation to buying material from the U.S. but we would want to expand the productive capacity of the Turkish economy. We also stressed that Turkey does not want to be or to appear any more as the sharp edge of an alliance in the Balkan region; that we would want to make our own contribution to defence in our region; Turkey so far has lagged behind almost all other NATO allies in contributing to defence.

The best way of ensuring a country's security is to build up an atmosphere of mutual confidence with all the neighbouring and regional countries.

FT You said in the past that

the embargo stood in the way of peace in Cyprus and rapprochement with Greece. Now that it has been lifted, how do you see the prospects?

BE The Turkish Cypriot administration has taken the initiatives it could take. It has come out with concrete proposals. It has even extended these regarding Varosha as you know, but the Greek Cypriot position has not changed and it is now up to the Secretary General of the UN to call for resumption of the intercommunal talks.

## Initiative

FT Do you consider that the ball is in the field of the Greeks in the matter of the Aegean Sea and other problems?

BE As you know, at our initiative again, we started a dialogue with Greece at prime ministerial level, and this has been followed up through high level technical talks on the Aegean problems, relating both to the air space and the continental shelf. Little progress, if any, has so far been made. I think that at some time in the near future it might be a good idea to come together again. It would clear the air psychologically if the Cyprus issue were resolved in the meantime.

FT While Greece, Portugal and Spain are going to become full members of the EEC, are you going to freeze your relations with the Community? Does that mean that Turkey may still want eventual full membership?

BE We are not trying to freeze our relations. On the contrary, we want to revitalise our relations. So far the relationship between Turkey

and the EEC has been working to the disadvantage of Turkey in many respects. The so-called concessions or advantages granted to Turkey lost most of their value. If our co-operation with the EEC is to mean something for Turkey's economic development, we would expect our partners in the Community to help us through this period of crisis. We believe that at the present position of the Turkish economy we would not be able to apply for full membership.

FT In the current economic crisis why do you think the West has been so slow to help Turkey, far slower than, say, Portugal?

BE I can't give a rational answer to this. I would expect the West to extend more prompt help and co-operation, particularly this year, in view of the courageous measures that the new Turkish Government has taken, with great political risks but with a sense of responsibility. Yet the West has been, to say the least, very slow in considering aid and co-operation. This has created disillusionment in Turkey.

FT Are you confident you will get more money and where do you think it is going to come from?

BE I can't say that I am confident, in view of the pace of amount of the help coming. The rescheduling of our short-term debts has been decided in principle, but it has not yet become fully realised. We have been expecting new credit from the major banks for some policy and attitude is to be materialised either. The continuation of this—I would not say negative but—passive attitude, would, of course, dis-

appoint us regarding our relationship with our partners in the west. If sufficient support and co-operation is not forthcoming from the west this will inevitably effect the future direction of Turkey's international economic relations. However, we would always act in full consciousness of our responsibility to the world as a result of the critical geo-political position of Turkey.

FT How united is the Cabinet over your desire to attract foreign investment?

BE There is no difference of opinion in the cabinet or in the party. In our new party programme we had already stated that we wanted to nationalise the important minerals. When I was talking to the representatives of private industry and enterprise in Istanbul in the summer, I told them that we would nationalise only the important minerals and the energy resources, that we did not have any other nationalisation plans.

## Threat

FT Could I turn to the political scene? How much of a threat to democracy do you see in this continuing violence?

BE The wrong interpretations and the wrong measures of the previous Government enlarged both the terrorism and the manifestation of violence in Turkey. They depended on, and encouraged, right-wing militant groups against some left-wing militant groups. Our Government's policy and attitude is to be against all kinds of terrorism, whether it be right or left wing. The result has been that all over the right-wing terrorists are against the present Government. What is more, who had practically got hold of



Prime Minister Ecevit and Mrs. Ecevit

because the efficiency of the state mechanism but lost it after we took over. Have become very frustrated. It has been a tantalising experience for them —they were almost in complete control and they rightly believe that they have, in the meantime, lost their last chance of obtaining power under democracy. The extreme left-wing terrorists, on the other hand, might have had the illusion that they would find a tolerant attitude from our Government, and they have been disillusioned. Our main deficiency and disadvantage has been the condition of the internal security forces, particularly the police. Because we guessed that this would be the weakest point in the administration when we took over, we appealed to the UK as soon as we took over to send us advisers. We got a very efficient team from Scotland Yard. I have been in constant dialogue with them personally. We have also been co-operating with the Germans and we have increased the efficiency and co-ordination in the information area. As a result the number of criminals caught in recent months has increased to the degree that could not be imagined before. One bottleneck is the traditionally slow functioning of the judicial mechanism. The courts are very heavily burdened. But we shall be trying to pass legislation. Land reform was not carried out and agricultural and rural development were very much neglected. Now we are trying to go to the roots of the problem and trying to start development from the land.

FT Terrorism has now surely

drifted into areas which are potentially more explosive like exploiting racial and religious differences. BE They are trying to drift to other areas as a result of the fact that they can be no more effective in the universities or educational centres or in factories. They have been nearly completely eradicated from the public sector and rendered to a large extent ineffective in educational institutions. On the other hand I can illustrate the increasing efficiency in catching the criminals. Today we have over 1,800 people under arrest because of terrorist acts, more than half of these being right-wing and less than half being left-wing terrorists. The recent disclosures in the newspapers indicate that the involvement of an extreme right-wing party in the terrorist activities of the Right has become manifest. When one form and area of terrorism is rendered relatively ineffective, they search for other ways and areas. One obvious example, as you stated, is the provocation to create hostility and conflict among different religious sects. Traditionally we are not a society that differentiates between ethnic groups. In spite of that, even in Turkey, ethnic differences are exploited by people. It is obvious that Middle East is an important target in this respect, so foreign meddling is a possibility. But I would not want to pass guesses beyond these generalities. It's a very difficult period but I haven't lost my nerve.

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مكتبة المجلدات



# The pendulum settles in Portugal

BY ROBERT GRAHAM, RECENTLY IN LISBON

THE TERM "crisis" has been used so often about Portuguese politics that it has lost its meaning. In the present political crisis, Portugal has been without a government since mid-September. Eighteen months ago there would have been worried talk about the uncertain future of a shaky democracy. Now there is an extraordinary lack of concern. Neither President António Ramalho Eanes nor the political parties seem the least bit hurried to press for the formation of a new government. The suggestion that President Eanes should have presided over the formation of a new government before beginning his state visit to Britain tomorrow has been quietly forgotten.

This leisurely approach reflects a far greater confidence by the Portuguese in their own inherent stability and a decline in the overall international pressure on Portugal to set its house in order.

Obtaining a coherent view of Portugal is not easy because those most involved with developments are so intensely partisan. Lisbon is a small city in which the main actors are easily observed. They know each other perhaps too well and all their activities are quickly and often intimately and sometimes scurrilously chronicled. Politics are conducted in a glass bowl, with trivial incidents easily magnified. This permits the more adept actors to exploit the situation through rumour or suspense. The net result is that superficial differences are exaggerated and underlying unity obscured.

In purely domestic terms, the

single most significant development over the past year has been the greatly increased use of presidential powers by President Eanes. In July, he chose to dismiss the faltering Socialist-Christian Democrat government of Sr. Mario Soares. He then used his constitutional powers to appoint a Prime Minister, Sr. Alfredo Nobre da Costa, unconnected with the political parties, the result of which was the formation of a technocratic government, Centre-to-Centre-Right in complexion.

This government lasted only 17 days. It was brought down by the combined opposition of all the political parties except the Social Democrats (PSD). Sr. Nobre da Costa fell ostensibly because Parliament rejected his programme. However, his government was really brought down because the politicians—and not least Sr. Mario Soares, nursing the bruised pride of his dismissal—sought to make the point to the President that the political parties had been voted in by the electorate and therefore could not be ignored by the President when orchestrating the formation of a new government.

## Bruised pride

To placate the politicians, President Eanes has now designated as Prime Minister Sr. Carlos Mota Pinto. This is a clever choice: Sr. Mota Pinto was parliamentary leader of the PSD until he resigned in 1975 and is now an independent. As a lawyer, he fits more into the mainstream of Portuguese tradition (like Sr. Soares), while Sr. Nobre da Costa is an engineer with a business background. Although the President has

been obliged to defer to Parliament, he appears to have won acceptance of two important points: first, he can dismiss Prime Ministers and designate new ones of his own choice—the constitution allows him to do this three times during his four-year term of office; secondly, the politicians now have no objection in principle to independents in government. Without the Nobre da Costa experiment, such a principle could not have been established.

Just as important, Sr. Nobre da Costa, with his business background, had a no-nonsense style that led him to tackle head-on the thorniest issues like land reform and compensation for nationalisations made during the 1974 revolution. In so doing, he broke a psychological barrier which will now make it much easier for his successor to carry on. One of the more curious spectacles in Portugal today is the dismissed Nobre da Costa governing as caretaker, still continuing with the emotive policy of restoring land in the Alentejo—the Latifundia (large estates) in Southern Portugal—to the original owners, a substantial minority of them foreign, from whom it was taken by peasants in 1974. The Soares government approved legislation for the restoration of title but was afraid to implement it, fearing Communist opposition and objections from its own left-wing. This restoration is now being carried out in many instances, by force.

Sr. Mota Pinto, when he finally forms a government, is expected to adopt a programme similar to that of Sr. Nobre da Costa. If this is the case, it means that President Eanes has managed to steer political programmes on a more pragmatic



President Ramalho Eanes (left)—greatly increased use of presidential powers. He dismissed the faltering Socialist-Christian Democratic Government of Sr. Mario Soares (above) in July.

course, which is no small achievement. President Eanes has begun to fill the vacuum in Portuguese politics created by the absence of any one political party holding a clear parliamentary majority and the consequent need for coalitions or minority rule. Sr. Soares's failure to make either minority rule or coalition work exposed the difficulties of forming a government on the basis of the present elected Parliament. Further, the constitutional limits on President Eanes now make for two basic choices: either the Mota Pinto government prepares for early elections in the spring or it must survive through to 1980 when elections are due.

Even if new elections produce

a parliamentary shake-up, the move towards presidentialism has major implications. For a start, when the Portuguese approved their constitution in 1976 the President was conceived as an arbiter—and an arbiter not so much between politicians but between politicians and the military. The President himself is a military man and that was the reason for his selection. But circumstances have so changed in Portugal that the concepts of the constitution have been largely overtaken. The military, through some skillful weeding out of left-wingers, have been placed in the background by President Eanes. The Armed Forces Council of the Revolution, designated

as the custodian of national life in the constitution, has changed political complexion and swung towards the Right. It still meets, but does not seek to influence events and would probably be unwise to do so.

More generally, the country's turbulent introduction to democracy has left it with a constitution and institutions of increasing irrelevance. The constitution is a woolly, contradictory document full of heady concepts that characterised the Left-wing's control of national life in the early days of the revolution. It reflected the dominant influence of the Stalinist orthodoxy of the Communist Party and the strong presence of the military. Arguably, it was even out of step when promulgated because then the shift away from revolution, in favour of Communist dominance had been firmly established.

The constitution is unsatisfactory in delineating the relationship between Parliament and President and the specific functions of both. If presidentialism is to be encouraged, and there is evidence that this has important support among certain Centre and Right-of-Centre politicians, then a change in this respect is all the more necessary. Equally important, the constitution ducks the issue of what type of society Portugal should aspire to. Yet written in the document are certain items about collectives and State control that are at odds with Portugal's commitment to joining the European Community. Joining the Community implies acceptance of a liberal market economy, and adherence to the Treaty of Rome would de facto, if not de jure, alter some legal provisions.

The Communist Party will fight hard to protect the constitution. Any change would rebound as a lessening of Communist influence. However, the Communist influence is already much less noticeable. The country's economic plight forced the Communists earlier this year to go along with the tough IMF conditions for granting financial assistance. The real source of Communist strength, the powerful trades union organisation Inter-sindical, has ceased to be so dogmatic and so overtly political in its demands. The main consideration is now preservation of jobs and living standards because the Communists also realise that by being too dogmatic they risk losing members to other union groups which are gaining ground.

## Soviet neglect

The strength of the Communist party has also been sapped by its continued isolation within the European Community. Communist parties, which find no sympathy with the rejection of Eurocommunism by its leader, Sr. Alvaro Cunhal (though of late his rejection has been slightly qualified). It is further noticeable how the concern about Soviet interest in an unstable Portugal in 1974 has disappeared. In Lisbon, most politicians believe that the Soviet Union accepts Portugal as an integral part of the Western/American sphere of influence. Indeed, it now seems that Moscow's main interest in the revolution was to exploit the Portuguese Communist Party's contacts with Angola and Mozambique to strengthen its presence there as the two countries emerged from colonial rule

—and in this it was highly successful. The removal of international tension over Portugal has had a subtle, but significant stabilising effect. This has been aided by the smooth manner in which neighbouring Spain has effected the transition from dictatorship to democracy. Portugal, it is worth remembering, had its revolutionary upheaval just at the moment when the twilight of Franco promised major political unknowns in Spain. The Iberian peninsula now has a completely different political complexion from 1975 when Franco was dying and the Left still had control in Portugal.

The very toughness of the IMF and Portugal's Western allies in lending money this year to Portugal suggest that they no longer accept the argument of granting soft terms because of the threat that the country will otherwise either revert to the military or return to unstable extremism. This said, Portugal's international friends do not underestimate the precariousness of its economy. No country at Portugal's stage of development can afford to have a payments deficit equivalent to 9 per cent of GNP, as it was before the IMF imposed belt-tightening terms in March. Among Portugal's West European and American allies, there seems a quiet consensus on the continued need, and willingness, to finance it for the foreseeable future to ensure the overall strength of Europe. This point is likely to be made to President Eanes this week by his hosts in Britain, Portugal's oldest ally.

## Not a silent pawn

From the Chairman, Wilkinson Group  
Sir—With a tightly knit team of directors of undoubted calibre, I have followed (without inheritance) a paternalistic precept in the construction of a company (we employ 800 people) which is the source of both profit and pride, for those who work within it, and the object of respect and recognition from those outside it. Our growth in every positive respect is well above national average. So that it is with absolute assurance that I vigorously castigate the prevalent theme of the CBI conference. Agreed Bullock is a nonsense, because it concentrates upon narrow confines, and not upon the realistic objectives which effective participation can bring to an organisation. But it is an anachronism to suggest that a company will survive and prosper given only good profits and unfettered highly remunerated leadership.

Look back into history. In feudal times the rapacious leader, profitable and well remunerated, could only survive while his power permitted. But the leader who adopted, while still of strong character, a humanitarian approach to those in subjugation to him, established united communities and some hope of continuity.

This lesson applies equally in the democratic world of the 20th century. While leaders of industry should rightly be adequately remunerated, and while our present levels of taxation are penal and cripple even that sensible growth, which would itself release constructive tax revenue to reward the average worker as a silent pawn in this formula is absolute nonsense.

The worker is entirely within his or her rights to have an opinion about his or her employer's decisions. As a chairman, I recognise that my decisions, and those of my board, can be rendered successful or destroyed by the support or otherwise of our workforce. In a unified company in which the objectives of managers and men (women) of company and unions are identical, the probability of success is far higher. This is industrial democracy as essential. Lack of unity is the major cause of the UK's industrial malaise, cultivated by Conservative and Socialist politicians, certain categories of industrial leader and of trades unionist, and by that iniquitous sector, the uninterested (and thus parasitical) shareholder.

There is a fundamental superiority in driving leadership (tempered by example and humanity) over driving leadership in its own. You can drive an unwilling horse to water. In the British manager and workforce who have the most thoughtful and able horse in the world, but this horse must be ridden by knowledgeable, industrious men of integrity and humanity. A fine methoded steed needs a rider of calibre. Tom Wilkinson.  
Wilkinson Group,  
Creston Industrial Park,  
Workshop, Notts.

## Policy on lorries

From Mr. J. Denham  
Sir—In his defence of Department of Transport plans for an inquiry into lorry weights (London November 8) Colin Jones manages to find virtue in the

## Letters to the Editor

very part of the leaked memorandum which has scandalised the environment movement. He sees nothing wrong in civil servants proposing an inquiry which would support the Department's views that weight limits should be increased. Unfortunately for this line of defence, it is not the Department of Transport's view or policy that lorry weights should be increased. The Secretary of State has repeatedly said so, and has confirmed this to a deputation of environmentalists, including myself, on November 8. It is disturbing to find that one or more senior civil servants were acting as though it were Department policy. Either the public face of the Department is different from the private face, or the civil servants were continuing to change their Minister's stated policy. Which ever is the case, it can hardly be defended as the proper conduct of Government.

John Denham,  
Transport Campaigner,  
Friends of the Earth,  
9 Poland Street, W1.

## Monetary system

From Mrs. C. Sheehey  
Sir—Mr. Brian Sedgemore is to be commended for disclosing the contents of the Treasury working paper on the European Monetary System to the general sub-committee of the Commons Expenditure Committee. The decision to join the EMS, a prelude to full economic and monetary union, should not be taken without the consent of Parliament and people, and they can only reach a considered decision if all the available information is placed before them. What has been revealed by Mr. Sedgemore is that the Prime Minister and the Chancellor were attempting to mislead the committee by putting before the members a Treasury memorandum outlining the background of the proposals but containing none of the harsh facts concerning the Treasury document with which Mr. Hesley was confronted when he appeared before the Committee.

If there is a "price to pay" (as Mrs. Sheehey says) surely we are entitled to know what it is and say whether we are prepared to pay it.  
(Mrs.) Charlotte Sheehey,  
33 Green Way, Bromley, Kent.

## Quality and reliability

From Mr. D. Hutchins  
Sir—I welcome Mr. Hattersley's proposal to canvass opinion on the desirability for a national strategy for quality assurance in the British industrial goods. I also welcome Mr. Hattersley's suggestion that the line had come for a national drive to reassert the quality of British goods. I believe that such a drive is now long overdue and the impetus gained as a result of National Quality and Reliability Year, held in 1977, should have been the commencement of a continuing campaign rather than an isolated event.

I think it was a grave mistake of the Government around 1970-1971 to have withdrawn financial support for the British Productivity Association, at a time when it was well known that our markets were being threatened by Japanese and other foreign goods. Particularly when these goods were being sold on the basis of a better reputation for quality and reliability than their British counterparts. Since Quality and Reliability

## Above average intelligence

From the Managing Director, Zenith Electric Company  
Sir—Referring to Mr. Lisner's letter of November 9, I do not believe that the so-called shortage of skilled labour is anything to do with the level of intelligence of the work force (except perhaps to demonstrate that it is higher than many people would suspect). In fact, I doubt if, in aggregate, there is any shortage of skilled labour at all, because there are plenty of skilled workers unemployed in various parts of the country. The problem is a structural one—beloved of Hayek, Friedman, et al. and the Welfare State ensures that it is not economically worthwhile for unemployed skilled labour to move to areas where there are shortages. J. H. Pogmore,  
Grinfield Road, Watendon,  
Milton Keynes.

## Skilled staff

From Mr. E. Gurney  
Sir—Mr. Lisner is, of course, right (November 9). There is a great shortage of skilled professional and technical people in the industry and this during a self-inflicted slump; what happens if we were ever to have an upturn in the economy can only be surmised. The employee/demand ratio he postulates has, of course, been evident as a trend for some years. The pyramid of yesterday has become pear-shaped and this is reflected in the type of response received from recruitment advertising—the ratio, to take typical examples per £1,000 of advertising space in the national Press—is approximately two replies from well qualified technical men in a growth industry to 350 replies for a managing director. That is how it is.  
E. R. Gurney,  
E. Roland Gurney and Partners,  
40 Milson Street, Bath.

## The use of labour

From Mr. B. Gleadow  
Sir—Mr. Lisner (November 9) contrasts the large number of unemployed with the employers who are crying out for skilled labour. He concludes firstly that shortening the working week is no solution to unemployment since it does not get at the above problem. I second what he also asks whether we might now have to accept permanently high unemployment level, among the less skilled or less skilled. The answer is definitely not.  
There are at least three solutions to this problem, raise di-

fferentials and/or tax employers according to their use of skilled labour and/or subsidise the employment of unskilled labour (e.g. youths). Indeed, strange as it may sound, there is a very good reason for making such differentials/taxes/subsidies large enough to result in a disproportionately large number of skilled people on the dole, and for the following reasons.

The skilled or the intelligent tend to be versatile whereas the unskilled tend not to be, and it is precisely those on the dole who are likely to have to find a job for which they are not ideally suited, i.e. a job at which their versatility is required. Indeed this solution to unemployment is used without thinking about it by managers and foremen throughout the country. A manager or foreman allocates the skills available to him in such a way as to ensure, inter alia, that none of his unskilled people are out of a job. And that frequently results in a skilled person (perhaps the foreman himself) not doing the job at which he is best, but the job which makes the best use of his versatility.

It is high time we applied this principle to the economy as a whole. Indeed it is ironic that economists have not tumbled to a solution to unemployment which is based on the use of every man's special talents.

## Health and safety

From the Secretary, Health and Safety Commission  
Sir—In reply to Mr. James Tye (November 8), the reason why the Health and Safety Commission is concerned about Crown immunity is that it regards it as a matter of principle the Crown bodies should be treated equal with other public employers and the private sector under the Health and Safety at Work Act and that Crown employees should receive equal protection under the law. For example, it is justifiable that local education authorities should be liable to prosecution when area health authorities are not. The Commission's case for the law to be amended to permit this is now with Government. It is not true that the Commission has issued instructions not to prosecute individual Crown employees (Paul Taylor's otherwise excellent article of October 21 was mistaken on this point). The Commission has made it clear that Crown employees will be prosecuted wherever there is a wilful or reckless disregard for health and safety in the same way that employees in private industry would be prosecuted. Nevertheless, individual Crown employees will not be used as scapegoats and prosecuted as substitutes for the Crown bodies concerned, i.e. where a non-Crown employer would have been prosecuted.

Finally, I explained clearly in Paul Taylor's article, if a Crown employer does fail to comply with the Crown notice procedure which has been instituted pending a change in the law, then the Health and Safety Executive will make a formal approach to a higher authority in the organisation concerned and, if necessary, the chairman of the commission will take the matter up with the responsible Minister. This is not, in our view, an effective alternative to prosecution. It is the next step to go under the law as it stands. Pat Tenter,  
Reigate-Horley,  
239 Old Marlborough Road, NW1.

GENERAL  
Mr. James Callaghan, Prime Minister, is principal guest speaker at Lord Mayor of London's Banquet, Guildhall, European Central Bankers two-day monthly meeting begins in Basle.  
European Parliament meets in Strasbourg (until November 17).  
Danish Foreign Minister, Mr. H. Christensen, in London.  
International Air Transport Association annual meeting in Geneva.  
Association of Scientific, Technical and Managerial Staffs statement on petrochemical industry.  
Talks (likely to last 10 days) resume in London between UK and Scandinavian Airlines Systems on new air service agreement.  
London Chamber of Commerce and Industry forum on Finance and Payments in Algeria, Tunisia, and Morocco.  
Environmental Pollution Control Exhibition: Effluent and Water Treatment Exhibition and Conference, and Public Works and Municipal Services Congress and Exhibition, all open at the National Exhibition Centre, Birmingham (until November 18).  
National Education Week opens in London.  
Mexican Week opens at Holiday Inn, Chelsea.  
Royal Variety Show, London Palladium.

## Today's Events

PARLIAMENTARY BUSINESS  
House of Commons: Nurses, Midwives and Health Visitors Bill, and Reading: Pensioners Payments Bill proceedings.  
OFFICIAL STATISTICS  
Central Statistical Office publishes index of industrial production (September, provisional).  
Department of Trade gives provisional figures for October retail sales, and third quarter figures for turnover of the catering trades.  
COMPANY RESULTS  
Final dividends: Concentric, E. J. Riley (Holdings), Interim

dividends: Cope Sportswear, Harrisons and Crossfield, C. E. Heath and Co. Northwest, Rothchild Investments Trust, Secombe Marshall and Camplin, Unilever, Interim figures: Commercial Union Assurance Company.  
COMPANY MEETINGS  
See Financial Diary on page 38.  
SPORT  
Boxing: Dave Prowse (Pence) v. Micky Minter (Crawley), Curd Hotel, London.  
LUNCHEON MUSIC, London  
Graham Jones gives a piano recital at St. Lawrence Jewry, Gresham Street, 1.00.  
Jonathan Renner gives an organ recital at St. Michael's, Cornhill, 1.00.

# Any agency still putting on weight when it's 50 should have a check-up.

The pressures in our industry have an unhappy tendency to produce unhealthy symptoms in agencies. Executives get high blood pressure while the agency gets flabby from over-staffing. This causes a common complaint called management turbulence, and can even result in that well known illness, the American takeover. So after fifty years in the advertising business, how has Royds come out of its check-up? First, our position in the growth tables. Since George Royds opened shop in London, we've shot up to become the fifth largest agency group.

GROUP TURNOVERS (£)	
1	J.W.T. Group 63,708,000
2	McCann 53,408,873
3	McCann 43,234,000
4	O.B.A. 39,591,713
5	Royds Group 36,951,293
6	C.D.P. 36,802,466
7	C.Barker (Ag) 34,000,000

Source: Agency Financial Analysis 1978. Published October 20, 1978.

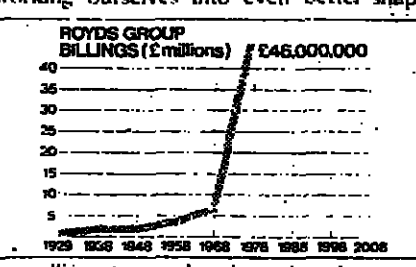


We've put on so much weight recently, we almost made it to 40 million.

Which may account for why profits are keeping pace with our progress. If the results of our check-up do not check out with your preconceptions about Royds, perhaps we can surprise you with a few more figures. There are now twelve full service agencies and sixteen offices in the group.

We are still British. And still independent. Another healthy sign is the number of Chief Executives we've had over the five decades. Just two, George, and now Nicholas. Of course temperatures have run a little high at times. But you have to expect growing pains when turnover climbs rapidly to £46 million and £10 million of it arrived in the last year alone.

All this extra weight could have made us flabby. But as the chart shows, we've been working ourselves into even better shape.

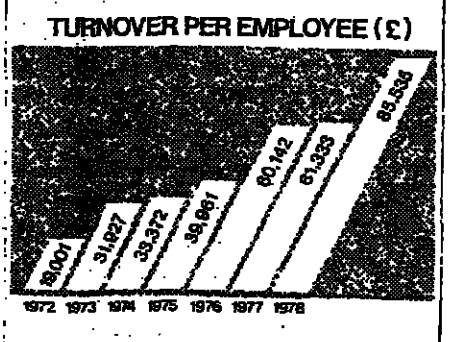


There are now twelve full service agencies and sixteen offices in the group.



George S. Royds.

Altogether over 450 people work for the group. And 200 companies, organisations or government departments entrust their advertising to Royds Group agencies. Amongst those clients are Beecham, Courtauld and Electrolux.



We've been taking our medicine for the full fifty years. And though we say it ourselves, the treatment is keeping them as healthy as us. Why not contact Nicholas Royds at Mandeville Place and check up on how we can help you with your condition.

## The Royds Advertising Group

The Royds Advertising Group Limited  
100, Old Street, London EC1Y 1AB  
Tel: 01-252 1111  
Telex: 252 1111  
Fax: 01-252 1111  
Branches:  
Aldershot, Bournemouth, Brighton, Bristol, Canterbury, Cardiff, Cheltenham, Colchester, Coventry, Exeter, Gloucester, Ipswich, Leicester, Lincoln, London, Luton, Manchester, Milton Keynes, Newcastle, Nottingham, Oxford, Peterborough, Reading, Southampton, Stevenage, Swansea, Telford, Torquay, Wakefield, Wokingham, Worcester, York.  
A. Wilson,  
Creative Advertising Limited,  
100, Old Street, London EC1Y 1AB  
Tel: 01-252 1111  
Telex: 252 1111  
Fax: 01-252 1111  
Branches:  
Aldershot, Bournemouth, Brighton, Bristol, Canterbury, Cardiff, Cheltenham, Colchester, Coventry, Exeter, Gloucester, Ipswich, Leicester, Lincoln, London, Luton, Manchester, Milton Keynes, Newcastle, Nottingham, Oxford, Peterborough, Reading, Southampton, Stevenage, Swansea, Telford, Torquay, Wakefield, Wokingham, Worcester, York.

ROYDS



## COMPANY NEWS

## Exchequer levy hits Westward TV profit

MR. PETER CADBURY, chairman of Westward Television, yesterday announced a 40 per cent increase in revenue for the year to July 31, 1978, to £7.9m, and estimated that the current year would show a further rise to £8.5m.

Trading profits also advanced from £1.36m to a record £1.77m, but a near doubling of the exchequer levy from £676,199 to £1,107,599 reduced pre-tax profit to £681,152, compared with £681,277.

Below the line, a reduction in corporation tax from £381,134 to £244,721 left earnings per share up from 8.0p to 4.25p. A maximum dividend of 1.8423p net is recommended. The final 1.245p, payable December 11, will include a £116,000 trading loss on Air Westward, the airline venture which began in May last year. Mr. Cadbury says that Air Westward is proving successful. The group has every reason to believe it will reach break-even by early next year and the next results should include a profit contribution from it.

Westward has taken full advantage of tax allowances on depreciation of aircraft and technical equipment for the television studios, but although it is possible to write off aircraft costs in the first year the group has chosen to depreciate them at a rate of 16 per cent per year in the accounts.

On the television side, Mr. Cadbury says that the company's share of national advertising revenue in ITV has increased to more than 2 per cent. Advertisement sales are currently running at 20 per cent above the comparative figures for last year. Westward intends to buy an outside broadcasting unit next year.

## Mack makes good headway

Although turnover of Mack Organisation, horticultural produce distributor, remained static at around £22m, pre-tax profits for the year to April 30, 1978, jumped from £69,632 to £168,618. Looking ahead Mr. Matthew Mack, chairman, says prospects continue to be encouraging. First quarter results both in turnover and profitability show an increase

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are to be paid or not, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Intermarco-Cone Sportsware, Epswich	Nov. 14
Hopper, Barrons and Crossfield, C.E.	Nov. 14
Booth, Norwell, Rotherham Investment Trust, Rotherham	Nov. 14
Finlay-Cummins, 5, J. Hill, London	Nov. 14
FUTURE DATES	
Arrol-Johnston Ltd, Glasgow	Nov. 14
British Overseas Airways, London	Nov. 14
British Overseas Airways, London	Nov. 14
British Overseas Airways, London	Nov. 14
British Overseas Airways, London	Nov. 14
British Overseas Airways, London	Nov. 14
British Overseas Airways, London	Nov. 14
British Overseas Airways, London	Nov. 14
British Overseas Airways, London	Nov. 14
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## British Invest. Trust sees further rise

Despite current international uncertainties, the directors of the British Investment Trust feel confident that the upward trend in earnings should be maintained in the current year.

Total revenue for the half-year to September 30, 1978, rose from £2.78m to £2.88m and net revenue was £1.68m against £1.50m.

Half-year	1977	1978
Dividend income	1,080	1,175
Interest income	551	622
Dividend interest	156	178
Total income	2,687	2,975
Less: expenses	(1,117)	(1,295)
Net income	1,570	1,680
Less: corporation tax	(1,080)	(1,175)
Profit after tax	490	505
Less: minority interest	(156)	(178)
Profit attributable to shareholders	334	327

An interim dividend of 2.45p (2.21p) has already been declared to reduce disparity—the previous total was 4.55p.

Overseas markets also rose and although the benefits were diminished by the decline in the dollar premium and the strength of sterling, the trust's underlying investments have generally provided a superior performance.

Properties valued at March 31, 1978, stood at £11.72m. Net asset value of investments at September 30, 1978, was £12.29m against £11.48m at March 31, including the investment currency premium of £14.96m (£14.57m). The valuation has benefited from the continuing strong performance of the UK stock market. Value per ordinary 25p share was 203.5p (188.3p at March 31, 1978).

## Dalgety raises \$ loan

Dalgety has raised a \$125m (£62m) 10-year loan from a consortium of U.S. banks, Mr. David Donnan, the chairman, told the annual meeting.

Of the total, \$30m will be used to replace shorter term borrowings. The remainder will finance acquisitions and additional capital spending in the U.S. and in the U.K. Mr. Donnan pointed out that the group had substantial frozen food interests in the U.S. and it intended to develop those further both through acquisitions and investment.

The aim of the International Food and Agribusiness group was to balance each of its three main regions—Australia and New Zealand, North America, and Europe and the U.K. At present North America only accounted for about 21 to 22 per cent of business, while Europe (including the U.K.) represented over 40 per cent.

Mr. Donnan also said that the group proposed to continue an aggressive acquisition policy worldwide. "We have several possibilities in our recent sights," he said. "Having raised cash in sterling through our recent rights issue and now with dollar loans we are in a strong financial position to make acquisitions."

## SECOND CITY

The directors of Second City Properties announced that the holders of £31,538 nominal of the 7 per cent convertible unsecured loan stock 1982-87 have exercised their rights to convert into ordinary shares. Accordingly, 45,703 new 10 shares have been issued.

## Kalamazoo plans for new DP era

ENTRY INTO the micro computer field is planned by Kalamazoo. The group is currently conducting extensive research and development in this area and plans to market a range of systems using the new technology early in 1979, says Mr. T. B. Morland, the chairman.

The future aim of the group is to provide a complete range of answers to business systems problems—no matter how large or how complex the organisation it serves. In pursuit of this it became involved in a number of developments during the past year, all of which are proceeding according to plan. They include additions and refinements to its range of manual systems, extension of its mini-computer and bureau system, and software services.

Group taxable profit for the year to August 1, 1978, was up 12.9 per cent at £3.72m before a £37,000 (£38,000) bonus to the company's workers' alliance which owns 51.5 per cent of the equity. Sales were 19.1 per cent better at £21.48m and the net dividend is raised to 2.50p (1.50p) per 10p share—as reported October 19.

On a current cost basis along the Hyde guidelines profit before bonus was up to £3.9m by extra cost of sales of £24,000 and deduction of a £136,000 carrying adjustment. Depreciation at £1.17m on the historic accounts already reflected inflation.

## Delay on final payout of R-R liquidation

HOLDERS of R-R Realisations, the former Rats Royce Ltd. (in liquidation), face a further wait for another distribution. The joint liquidators in their report for the year to October 7, 1978, say they are still unable to recommend a further payment at this stage.

An estimated £40.6m remained available to stockholders, equivalent to 61.7p per 11 share of which 53p has already been paid. Considerable progress has been made on outstanding matters during the year but few of these are proving obstinate. Every effort is being made to bring the liquidation to a conclusion and enable a final distribution as soon as possible, the liquidators explain.

During the year the property at Lervend and part of the property at Bristol were disposed of and also the shareholding in Short Bros. The principal outstanding assets are property at Bristol, 50 per cent in Bristol Aerojet and a claim for approximately £200,000, plus interest, against the West German Government.

At the year-end, liquidity was up by £16,002 (£230,637). Meeting, Abercorn Rooms, EC, December 6, noon.

For the year to March 31, 1978, trading profit was slightly down at £230,842 (£241,666) due to losses in subsidiaries but sales were up 84 per cent and the pre-tax surplus was higher at £610,530.

## FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

Nova Industri B (section: Overseas—Copenhagen).  
Prestwich Parker (Section: Engineering).

During the next couple of years Newman, picked up the rest of the equity in three of the companies concerned—Agar, Cross, Alfred Clough and Dover Engineering.

Newman's ability to make acquisitions was restricted by its financial resources. By staggering the purchases in this way, it was able to improve the performance of companies which needed the injection of management to lift profitability.

Last year these three companies produced half of Newman's profits. The next question for the Newman board, determined to grow by acquisition, was whether to

(£533,396)—as reported November 1. The net dividend is raised to 1p (1.1p) per 10p share.

At year end net liquidity was up £288,481 (£213,666) with overdrafts of £22,070 eliminated and cash of £217,720 (£274,533) and £628,341 (£206,117) in local authority loans.

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## The Swiss connection

BY TERRY GARRETT

For connoisseurs of takeover deals, Newman Industries' purchase of the outstanding shares of Ardel International NV has virtually everything, including a little known Swiss chocolate foundation as the vendor and a meeting association with Mr. "Tiny" Rowland's Lomho.

Today shareholders will meet to decide on the deal, which could radically alter the shape of Newman's Lomho.

Last February Mr. Alan Bartlett, chairman of Newman, announced his plans to buy a 31.2 per cent stake in Ardel, which manufactures a range of mechanical fasteners for industry, at a cost of £2.4m. At the same time Newman laid out a further £200,000 for an option to acquire the rest of Ardel from the Swiss foundation—set up by the founder of Ardel. This option is now being exercised nine months before it expires.

The background to the bid starts with a controversial deal with Thomas Poole and Gladstone China in 1974 in a heavily criticised transaction. Mr. Bartlett, who was chairman of both companies, arranged for Newman to take over the shareholdings that Thomas Poole had in four quoted companies, at a cost of £225,000.

In stages. During the next couple of years Newman, picked up the rest of the equity in three of the companies concerned—Agar, Cross, Alfred Clough and Dover Engineering.

Newman's ability to make acquisitions was restricted by its financial resources. By staggering the purchases in this way, it was able to improve the performance of companies which needed the injection of management to lift profitability.

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go for another company where it thought it could improve profits by working on the framework or to aim for a profitable company with existing good management.

Around the same time Lomho was showing an interest in Newman. In January, 1977, Lomho bought a 19.3 per cent stake, mainly from Thomas Poole, for over £276,000.

The Lomho directors were not discounting the possibility of a full takeover in the future and three Lomho directors, including Mr. Rowland, joined the Newman Board.

Deal taking shape. Possibly that involvement with the financial muscle that could come with it, was influencing Mr. Bartlett's planning. For it was now that Ardel first came into the picture—a sizeable acquisition for Newman.

Evidently U.S. suitors were taking a hard look at Ardel, but its existing management was more interested in finding a UK buyer. However, within a few months the Lomho-Newman honeymoon was over.

It is here that the Swiss foundation, the Stanley T. Johnson Foundation, came on the scene publicly. The foundation—which owned two-thirds of Ardel—bought out Lomho for £1,141,000, only to sell the shares to Mr. Bartlett and some UK institutions for a few months later.

At this point, the latest deal started to take shape, though other suitors for Ardel were still on the sidelines and Newman could not decide what to do at once.

At the beginning of this year Newman bought its first stake in Ardel with the option to buy the rest for £276,000. Part of the agreement was that if Newman had not acquired all of Ardel by next summer the foundation had the right to buy Ardel shares back for £2.7m—a 42m loss to Newman.

Newman was keen to get its hands on the rest of Ardel not only because of the new dimension that it would add to the group, but because the sterling equivalent of the option price was steadily rising. By the time Newman came up with its latest proposal the sterling price had risen from £5.65m last June to £7.54m.

Though Ardel is a Dutch registered operation, that is funds of £18.6m, purely a holding company. The group was started in the UK just before the second world war, but before the last war to manufacture "blind rivets" of the type used in the aircraft industry.

From that base Ardel has expanded its production into the U.S. and Germany with a range of "fastener systems" and the deal, but there is a very real machinery to install them. Both the ambitious Mr. Bartlett and others up his sleeve for the deal

where access is limited to one side, a far field as Canada and Honda motorcycles.

Ardel's profits rose to a little less than £1m in 1977, a little less than £1m in 1976, a little less than £1m in 1975, a little less than £1m in 1974, a little less than £1m in 1973, a little less than £1m in 1972, a little less than £1m in 1971, a little less than £1m in 1970, a little less than £1m in 1969, a little less than £1m in 1968, a little less than £1m in 1967, a little less than £1m in 1966, a little less than £1m in 1965, a little less than £1m in 1



















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TURN TO PAGE 19 FOR THE SHOOM

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**Only in the Star**

**Girl dies, 19 hurt in swing plunge**

**HORROR AT THE FUNFAIR**

**Woman shot dead in street drama**

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## OFFSHORE AND OVERSEAS FUNDS

## INSURANCE AND PROPERTY BONDS

[illegible]



# Businessman's Diary

## UK TRADE FAIRS AND EXHIBITIONS

Title	Venue
13-18 ENPOCON—Environmental Pollution Control Exhibition	National Exbn. Centre, Birmingham
13-18 TASSEX 78—Transportable Accommodation and Site Services Exhibition and Conference	National Exbn. Centre, Birmingham
13-18 EWT—Effluent and Water Treatment Exhibition and Convention	National Exbn. Centre, Birmingham
14-17 Careers for 79 Exhibition	Alexandra Palace, N22
14-18 Scottish Engineering Exhibition	Kelvin Hall, Glasgow
14-18 Home and Beauty Exhibition	Olympia, Blackpool
17-18 International Kitchen and Bathroom Show—ITT	Olympia
17-18 Int. Renovation and Home Improvement Show	Olympia
19-21 British Cardiac Society Conference and Exhibition	Wembley Conf. Centre
21-25 Breadboard Exhibition (Home Electronics)	Seymour Hall
25-30 Wholesale Buyers' Gift Fair	Mount Royal and Mostyn Hotels, W1
28-Dec. 1 Video Trader Exhibition	Heathrow Hotel
4-8 Royal Smithfield Show and Agricultural Machinery Exhibition	Earls Court
5-7 Computer Peripheral and Small Computer Systems	Olympia
5-7 UK Automatic Testing Exhibition	Royal Horticultural Halls
5-7 COMPEC 78 (Computer Peripherals)	Olympia
5-8 Export Services Exhibition	National Exbn. Centre, Birmingham
3-8 Container Technology Conference and Cargo Systems Exhibition	Metropole Centre, Brighton
9-17 Performance Car Show	Alexandra Palace, N22
12-14 Exhibition and Display System Fair—MODULEX	West Centre Hotel, SW6

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

Title	Venue
16-19 International Automatics Show	Zurich
18-20 Automobile Show	Sao Paulo
21-24 Trade Fair for Clothing Textiles—INTERSTOFF	Frankfurt
24-Dec. 3 International Exhibition of Inventions and New Techniques	Geneva
25-Dec. 3 Music Exhibition	Brussels
26-30 Middle East Building Materials and Construction Machinery Exhibition	Bahrain
28-Dec. 3 Raw Materials Fair—RAVARRESSE	Copenhagen
28-Dec. 10 International Trade Fair	Dakar
2-10 International Woodworking Exhibition	Brussels
5-9 Exhibition for the Development and Maintenance of Open Spaces and Sports Facilities—ESPACES VERTS	Paris

## BUSINESS AND MANAGEMENT CONFERENCES

Title	Venue
14 IPM/ICMA: Disclosure of Financial Information to Employees	Cafe Royal, W1
15 Economic Models: Energy Forecasts for Europe, U.S., Canada, Japan	30 Old Queen Street, SW1
15 CAET: Group Accounting—seminar and course	Piccadilly Hotel, W1
16 Inbucon: Salary Administration Seminar	Albany Hotel, Glasgow
16 David Casey Associates: Health and Safety and Industrial Relations	Holiday Inn, Langley
16 CCC: Takeovers and Acquisitions—a Business and Management Conference	Royal Lancaster Hotel, W1
16-17 FT Conference: Business with Mexico	Mexico City
18 City of London Polytechnic/London Chamber of Commerce: Seminar on Getting Started in Business—for those setting up their own firms	Jewry Street, EC3
20-21 FT Conference: World Insurance	Dorchester Hotel, W1
20-22 British Property Fed./Nat. Assoc. of Pension Funds: Conference: Property—Progress in Partnership	Holiday Inn, Bristol
21 Staniland Hall Associates: British Economy in the '80s—Forecasts for Company Planning	Hilton Hotel, W1
21 CCC: Contingency Planning for Disasters	Royal Lancaster Hotel, W1
22 ASM: Estimating Project Costs—Seminar	Piccadilly Hotel, W1
22 AGB: Executive Selection Techniques—Seminar	Cafe Royal, W1
23-24 Wharton School: Finance and Accounting for the Non-Financial Executive	Churchill Hotel, W1
23-24 RASE/ADAS Conference: Farm Business Tax Planning	Nat. Agricultural Centre, Kenilworth
23 EGC: Establishing a Joint Venture Overseas	Cavendish Conference Centre, W1
23 CPI: Seminar on Retail Planning: Sources of current information	Strand Palace Hotel, WC2
24 ASM: Industrial Tribunals: How to defend your decision to dismiss	RAC Club, SW1
24 London Chamber of Commerce: Seminar on Future Trends in the Arabian Gulf	69, Cannon Street, EC4
26-Dec. 1 Bradford University: Industrial Marketing Management	Heaton Mount, Bradford
27-Dec. 1 IPAT: Selecting the Right Candidate	Whites Hotel, Lancaster Gate, W2
28 NIMRA: "Richer from Rags"—the recovery and reuse of textile wastes	Regent Centre Hotel, W1
29 FDIC: Marketing Society Annual Conference	Royal Lancaster Hotel, W1
29 Economic Models: UK Engineering Industries Forecasts—conference	30 Old Queen Street, SW1
30 AGB: Essentials of Employment Law	London International Press Centre, EC3
30 Charterhouse Japhet: Conference on "Your Private Company"—Maximising Wealth Creation for you and your family	Royal Lancaster Hotel, W2

## CHAMBERS AND FARGUS LIMITED

(Seed Crushers and Edible Oil Refiners)

### IMPROVED RESULTS

Seventy-fourth Annual General Meeting was held on 10th November 1978 in Hull. The Chairman, Mr. G. H. Elliot, presided of the following is his circulated statement:—

The year's results show a marked improvement on their predecessor. The great disappointment is the soya extraction plant, which is continued to make big losses. We reluctantly had to decide early before the end of the year to close down the plant completely. This has now been done.

We hope that the company will improve its profits again this year, aided by the removal of operating losses on the soya extraction and Refining margins remain satisfactory and we have a good Refining programme. We expect to show a modest profit for the first six months.

There has been no significant change in prospects in recent weeks. The refining and crushing divisions are still performing well. Despite the marketing, we have not yet found a way of employing a soya extraction plant economically. The alternative possibility of outright sale of this unit is being pursued. I think I should point out the very welcome fall in our borrowing ratio during the year. The position has further improved since the close of the year.

	1978	1977
Revenue	11,037,753	12,325,635
Profit before tax	127,652	38,388
Profit after tax	63,315	38,388
Dividend	17,493	8,747

## R-R REALISATIONS LIMITED

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## ROLLS-ROYCE LIMITED

Notice is hereby given pursuant to section 299 of the Companies Act, 1948, that a General Meeting of the members of the above-named Company will be held at the Chartered Insurance Institute, 20 Aldermanbury, London EC3V 7HY, on Monday, the 11th December 1978, at 11.30 a.m. to be followed at 12.30 p.m. by a Meeting of the Creditors for the purpose of receiving an account of the Liquidators acts and affairs and of the conduct of the winding-up for the tenth year of the liquidation and (2) to fill any vacancies in the representatives of Members or Creditors on the Committee of Inspection in the winding-up of the said Company which may occur prior to the date of the meetings.

E. R. Nicholson  
W. K. M. Slimmings  
K. D. Wickenden  
Joint Liquidators

## CONTRACTS Military vehicle testing

HUMPHREYS AND GLASGOW has been awarded a subcontract valued at over £4m for the Property Services Agency involving the design and installation of mechanical services for a new military vehicle testing laboratory in Surrey.

Air Europe, passenger airline, has awarded an engineering and maintenance contract worth £2m to BRITANNIA AIRWAYS. The contract starts next year when the Gatwick based airline takes delivery of five new Boeing 737-200 jets.

WEIR CONSTRUCTION, Coalbridge, has a contract worth £1m from BP Oil Company for the supply and erection of 47 timber frame executive bungalows near the Sullom Voe oil complex in Shetland. Designed by BP to blend with local cottages, the homes are being manufactured in timber frame kit form, and include carpeting. BP has requested standards of insulation akin to those of Swedish designs. External finish is in roughcast, with traditional slated roofs.

WEIR CONSTRUCTION, Coalbridge, Glasgow, has been awarded a contract, valued at about £40,000, by Paterson Construction of Bedfordshire, Northumberland, for the supply of timber frame house kits to replace 30 existing pre-fab type houses in the Valley of Dene at Choppwell.

British Steel Corporation has given a £55,000 contract to GRADWOOD, Stockport-based engineers and manufacturers of ventilating equipment to remove fumes at the soaking pits bay at the Shotton works in the corporation's Welsh division.

CRONE AND TAYLOR, of St. Helens (a member of the Worsley Group of Engineering Companies) have been awarded a £200,000 contract by Sisseton Minerals for the supply and installation of a rapid loading station at the company's Thrislington Quarry near Carnforth, Co. Durham.

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## This week's business in Parliament

### TODAY

COMMONS—Nurses, Midwives and Health Visitors Bill, second reading. Proceedings on the Pensioners Payments Bill.

### TOMORROW

COMMONS—Motions on EEC documents on enlargement of the Community, the display and pricing of foodstuffs and on groundwater pollution.

LORDS—Electricity (Scotland) Bill (consolidation measure), second reading. Legal Aid (Financial Conditions) Regulations 1978. Legal Advice and Assistance (Financial Conditions) (No 2) Regulations 1978. Legal Advice and Assistance (Financial Conditions) (No 2) Regulations 1978. Legal Aid (Scotland) (Financial Conditions) Regulations 1978. Debate on when the Government proposes to re-equip the Queen's Flight with modern aircraft.

WEDNESDAY  
COMMONS—Debate on motion to take note of developments in the EEC, January to June 1978. Motion on EEC document on mutual assistance.

LORDS—Debate on the growth of Quangos (quasi-autonomous non-governmental organisations). SELECT COMMITTEE—European Legislation, Subject: European studies. Language tuition and student admission to higher education. Witness: Mrs. Shirley Williams, Education Secretary. (Room 15, 4.15 p.m.)

THURSDAY  
COMMONS—Estate Agents Bill, second reading. Motion on the Assistance for House Purchase and Improvement (Variation of Subsidy) Order. Motion on EEC document on misleading and unfair advertising.

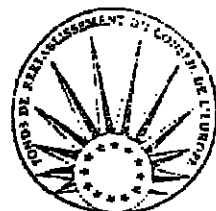
LORDS—Forestry Bill, second reading. Counter-Inflation Price Order 1978. Debate on National Parks.

FRIDAY  
COMMONS—Debate on the report of the Royal Commission on Civil Liability and Compensation for Personal Injury.

New Issue

All of these bonds having been sold, this announcement appears as a matter of record only.

November 1978



## The Council of Europe Resettlement Fund

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Dresdner Bank Aktiengesellschaft

Bankhaus Hermann Lampe Kommanditgesellschaft

Norddeutsche Landesbank Girozentrale

Vereins- und Westbank

Westdeutsche Landesbank Girozentrale

Westfälische Bank Aktiengesellschaft

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Berliner Bank Aktiengesellschaft

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DG BANK Deutsche Genossenschaftsbank

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Sal. Oppenheim jr. &amp; Cie.

M. M. Warburg — Bruckmann, Wirtz &amp; Co.

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Banque Internationale à Luxembourg S.A.

Crédit Commercial de France

Gotthard Bank International Ltd.

Pierson, Holding &amp; Pierson N.V.

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Daiwa Europe N.V.

The Industrial Bank of Japan (Luxembourg) S.A.

Société Générale

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Defining the task is one thing. Assessing the capabilities of the equipment to carry it out is another. After all, a production manager responsible for the purchase of a machine tool for his company, usually knows as much about machine tools as the vendor. This is not always the case when a company buys a computer — especially for the first time. They need the sort of experienced help they can obtain from our Professional Services Division.

How exactly does your Professional Services Division help?

Our analysts carry out, in conjunction with the customer's staff, feasibility studies, systems investigations, system design, programming, system implementation and so on. They do what is required to ensure that the customer gets the most effective hardware and software for the job.

Aren't there plenty of other consultancies offering this service?

There are. But few are better qualified. The emphasis on the word qualified is deliberate. For example, it's part of our policy to hire a specialist and teach him what he needs to know about computers, rather than hire a computer man and try to teach him a specialty. When a customer has an engineering problem that needs a computer solution, he'll be talking to a Control Data engineering consultant who talks his language on his own terms. The same applies whether it's accounting or scientific research. This policy leads to a better understanding of the customer's problem... and a better solution.

Does that apply to all business, engineering and scientific problems?

Yes. Everything from financial planning and other commercial activities, through to specialist skills

in structural and civil engineering, electronic engineering and linear programming.

Does this broad base of expertise help in any other way?

Very often. We find that while helping an engineer solve a problem directly related to his prime function, we can help him with his budgeting, material control — even complete project management.

As your Professional Services Division is part of Control Data, aren't its hardware decisions biased?

We never provide an 'unprofessional' solution and are fully prepared to implement a system utilising a competitor's products.

What does Control Data get out of that?

Our consultancy is often the 'first service' that a customer receives from Control Data. First impressions count. So we like to get it right. A soundly-based solution to a customer's problem right now is the best recommendation for him to come back to us again for hardware or one of our other services.

What about long-term support?

Control Data is a major supplier of computer systems and operates one of the world's largest data service companies. Its integrity and ability to provide long-term support for its products and services is well recognised. We are concerned about the continued successful performance of systems supplied and implemented by ourselves and welcome enquiries about those systems... especially where operating needs have changed or where a system could be improved through updating. We believe we supply the best solutions to customers' problems... and we intend to keep it that way.

For additional information on how Control Data Limited may help your business, write for this 36-page booklet, Control Data Limited, 22a St. James Square, London, SW1.

Jack Ward, Managing Director of Control Data answers questions about the solutions provided by his company's Professional Services Division.

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## Auditors resist CBI recruiting campaign

BY MICHAEL LAFFERTY

A CAMPAIGN to recruit accounting firms as members of the Confederation of British Industry is meeting resistance from some of the country's leading auditors.

Deloitte Haskins and Sells and Coopers and Lybrand—two of the "Big Eight" firms—have turned the idea down flat. Peat Marwick Mitchell, the biggest UK firm, says it will not be joining. A similar decision is expected from Whitley Murray and Arthur Young McClelland Moores and, probably, Touche Ross. Only Price Waterhouse says it is still thinking about the invitation and a final decision is not expected until after a partners' meeting in two weeks' time.

Already, however, the CBI has recruited two large City accounting firms—Blinder Hamlyn and Tansley-Witt—and hopes to number more accounting firms among its 15,000 membership in the near future.

Some leaders in the account-

any profession question whether it is appropriate for top auditors to belong to the employers' organisation, particularly when their professional reputation hinges so much on their independence.

A partner in Coopers and Lybrand, explaining why his firm would not be joining, said: "As a firm we have always tried to avoid any political involvement." A statement from Deloitte Haskins and Sells declared: "We will not be joining. We have always valued our independence." Similar sentiments were expressed privately by partners in other firms.

In contrast, Mr. Peter Lane, a partner in Blinder Hamlyn, expressed surprise at these views. "The CBI is a powerful force of industrial thought. We thought membership provided us with the opportunity to learn something and contribute something."

Mr. John Warburton, responsible for the CBI campaign, said

that all of the 9,000 accounting firms in the UK were potential CBI recruits. "We are the voice of business. By joining us accounting firms would gain the added influence of the CBI on their scene." He emphasised that this did not mean the CBI saw itself as an alternative to the profession's own trade associations.

There are no rules banning accounting firms from joining the CBI. Mr. Paddy Moore, secretary of the Institute of Chartered Accountants' ethical committee, said yesterday that since accountants could already join the National Federation for the Self-Employed and local Chambers of Commerce "there seems no logical reason why they should be banned from joining the CBI."

The accountancy profession is not the only new area of CBI recruitment. The Stock Exchange is another. Already Kemp-Gee, Fielding-Newson Smith, and Cazenove have become CBI members. Mr. Warburton said.

## Textile towns send delegation to make Brussels jobs plea

BY RHYS DAVID, TEXTILES CORRESPONDENT

A DELEGATION from 13 local authorities in the North meets EEC officials in Brussels this week to express concern over continuing pressure on jobs in the textile industry.

The group hopes to meet Mr. Tran Van Thinh, a senior Commission official responsible for trade matters, and will press for stricter enforcement of EEC agreements on textile imports. The delegation hopes Mr. Roy Jenkins, President of the European Commission, will be present.

The 13 local authorities, supported by textile employers and union leaders, held a similar meeting in September with Mr. Edmund Dell, then Secretary for

Trade, when they pointed to a 10 per cent drop in the past year in numbers employed in the Lancashire textile industry, from 77,000 to under 70,000.

They are likely to stress that a considerable improvement in the trading environment has resulted in those sectors where effective bilateral agreements have been reached with low-cost suppliers under the GATT multi-fibre arrangement, but that problems remain where informal arrangements were negotiated, as in the case of the EEC's Mediterranean associates and the Comcon countries.

Many of these informal arrangements run for only one year at a time, unlike the five-year multi-fibre agreements.

The delegation will press both tighter controls and stronger enforcement in any new agreements being worked out for next year.

Elsewhere in the textile industry, Courtaulds, in conjunction with Leeds City Art Galleries, will sponsor a competition with prizes worth £5,000 for full-time students of art and design and for designers who completed their full-time courses in 1977 and 1978.

The results will be announced in October, 1979. Leeds will hold an exhibition of the winning entries in its art galleries later in the year.

The competition is built round three Courtaulds fibres.

## Scandinavia to oppose air deal

BY LYNTON McLAINE

SCANDINAVIAN countries are expected to resist an agreement with Britain for more competitive air services during talks starting in London today.

Earlier talks between Norway, Denmark, Sweden and the U.K. broke down in Copenhagen last month. No progress was made either at talks in London in August or in Oslo in June and the prospect of further failure is viewed with concern in Whitehall.

The existing air services agreement between the three Scandinavian countries and Britain will end at the request of the Scandinavians, on December 31. Failure to reach agreement would mean the end of scheduled air services between the two regions.

The need for a new agreement was precipitated late last year when the three countries protested about plans by the independent British Midland Airways for regular flights between Birmingham and Copenhagen.

The proposal was abandoned, but the Scandinavian Airlines System (SAS) saw it as a threat to its operations.

Scandinavia wanted a new agreement restricting flights between Britain and the three nations to SAS and British Airways, the national flag carriers. It also called for a strictly limited number of routes between major cities.

In contrast, Britain wanted air services expanded, with fares reduced to line with the practice on other international

routes, and more competition for the national carriers from independent airlines flying to and from a variety of smaller, provincial cities.

Trade Department officials also wanted the new air services agreement to include revised rules for charter flights and an end of the so-called fifth freedom rights of Scandinavian charter airlines. The rights enable a Danish company, for example, to fly between Sweden, Norway and Britain, as well as between Denmark and Britain.

Continued from Page 1

## IATA

Continued from Page 1

## Monetary system

intervention mechanism than the UK supports, and after the refusal of six of the Nine to agree to any substantial increase in the transfer of resources from richer to poorer members of the EEC.

As part of the longer-term study on resource transfer, a new report from officials of the EEC Economic Policy Committee merely noted that the monetary system "could pose some problems to the less prosperous member-countries."

However, six members believed that "no extensive additional transfers are necessary to underpin the stability and viability" of the system. The UK, Ireland and Italy said that a "substantial increase" in transfers was "absolutely necessary" if all countries were to join.

A formal decision will not be taken by the Cabinet until about the end of the month, after further EEC meetings, in spite of what Mr. Healey has described

as the "Government's serious doubts about the wisdom and durability of the arrangements at present favoured by some of our European colleagues."

The Commons will debate the issue in a week to ten days' time. The report of the element of the British position may differ slightly in wording from the main points now expected after further talks in the EEC. It is possible that Italy and Ireland may make a similar statement.

The Prime Minister and Mr. Healey have swung against entry primarily because of fears that the pound might be lower inside the scheme than outside.

These somewhat paradoxical doubts rest on fears that if the UK joined without devaluing, pressures might develop leading to speculation and a devaluation later in the year.

Ministers believe that a fall in sterling would be unwise electorally, and harmful to the counter-inflation strategy.

should not make that order final and binding.

Mr. Hammarskjöld says that this "poses the threat of new and extended concepts of sovereignty in the field of international air transport relations."

"The U.S. anti-trust laws are far-reaching in scope and effect, and once brought into play could be deemed unilaterally by U.S. Courts to extend to any co-operative actions by the airlines, even if not directly affecting traffic to and from the U.S."

"The potential disruption in airline operations, through possible exposure to criminal and civil litigation, could undoubtedly rebound on the travelling public through disruption of air services."

Turning to profitability, Mr. Hammarskjöld says that while world airline passenger traffic has grown at a relatively strong 10 per cent over the past year, the airlines' financial results have improved only marginally.

"The airlines' collective profit target of about 8 to 9 per cent of revenues from scheduled international services had not been achieved. Profits amounted to only about 1.7 per cent before tax."

It says that in a wide range of industries jobs will be lost as a result of the spread of computers, particularly micro-computers. It adds: "It is hard to envisage new products and more general electronic capital goods, which are of sufficient volume and value to absorb the labour displacement put forward in the report, at least in the same time-scale."

According to the report, the types of labour under the greatest threat are assembly workers, repair and maintenance workers, people with low clerical skills, and even highly skilled clerical workers who rely on rote memory. The report adds: "Obviously lack of competitiveness in a UK firm compared with an overseas competitor in an open market would affect all categories of labour."

## Treasury and EEC to review exchange controls

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE UK's remaining exchange controls with the rest of the Common Market are to be reviewed later this month, during talks in London between the Treasury and EEC Commission officials. At present it looks unlikely there will be any significant further relaxation.

The pledge to undertake a review before the end of 1978 formed part of the agreement between the Government and the Commission last December, when certain limited relaxations of the controls were announced. This month's talks are completely separate from the negotiations on the proposed European Monetary System.

It is now officially estimated that last December changes in the exchange rate of the pound on capital account of about £240m, this year, though this figure is subject to a considerable margin of error.

Given this reservation, the abolition of the 10 per cent surrender rule on portfolio investment in property and shares may have resulted in an outflow of about £200m, in view of what had been happening in recent years. This change applied to the whole world and not just the EEC.

The remaining sum is likely to be accounted for equally by the liberalisation of controls on direct investment, leading to a modest outflow, and the relaxation of controls on personal transfers, such as gifts.

The Government is unlikely to want to make any further changes, as Mr. Denis Healey, the

Chancellor, indicated in his evidence to the Commons Expenditure Committee earlier this month when he remarked that the movement so far had been with "deliberate and gradual majesty."

The talks are likely to take place without some of the pressures of last year. The difference is that at the end of 1977 the Government faced a specific deadline which meant unless permission was obtained from the Commission the UK would have had to move, on January 1, 1978, to a total liberalisation of capital movements with the rest of the EEC.

After some bargaining, the Government received authorisation to continue controls with the exception of the changes announced last December.

The authorisation to continue controls, granted last December, is indefinite but subject to a continuing review with a special agreement on talks before the end of this year. This timetable is unlikely to slip and the Commission can, in theory, revoke the authorisation at any time.

The Commission officials are likely to be much more interested in direct rather than portfolio investment since the former has a clear impact on employment and output.

The UK will no doubt refer to what has happened in the last year and, unlike the second half of 1977 when the current account was in substantial surplus, officials will be able to point to the recent trend which has only been around balance.

## Gaullists urge curb on European Parliament

BY ROBERT MAUTHNER

PARIS, Nov. 12.

THE GAULLIST RPR Party, the largest member of the ruling French coalition, tonight adopted a tough resolution calling upon the European Council to make it clear that a directly-elected European Parliament will not be given additional powers.

The resolution, which was passed by an overwhelming majority, was adopted after a day-long debate by a special congress of the party on its European policy, during which M. Jacques Chirac, the Gaullist leader, and other members of the party's executive stressed that the Gaullist movement remained as hostile as ever to supra-national institutions.

The discussions nevertheless showed that the leadership had not only the smaller European nations, such as the Netherlands, Belgium and Luxembourg—but even Herr Helmut Schmidt, the West German Chancellor, were on record as saying that direct elections were the first step towards an extension of the European Parliament's powers in the long run.

The Gaullist leader said he could only admire the typical mixture of "humour and pragmatism" which governed Britain's attitude towards direct European elections.

elections, and M. Debre emphasised that the Gaullists refused to be imprisoned by wrongly minded idealists in an anti-European ghetto.

The Gaullists, they claimed, were not about Europeanism, but they remained firmly wedded to General de Gaulle's policy of a Europe of nation states, entirely independent from other power blocs.

M. Chirac said the debate on direct European elections had taken place in a fog of contradictions, which had to be clarified. The French Government was the only one which pretended that the election of the European Parliament by universal suffrage would not make any difference to its powers.

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## Weather

UK TODAY

MAINLY DRY with sunny spells. Scattered showers in the North. London S.E., Cent. S. England, E. Anglia, Midlands. Sunny spells and scattered showers. Max 11C (52F).

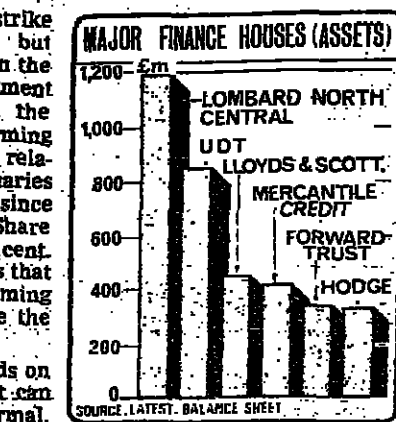
Wet with a few showers. Max 10C (50F).

Outlook: Mainly dry with sunny intervals. Rain at times in the North.

HOLIDAY RESORTS

Y-day	Today	Y-day	Today
Amsterdam	10	Madrid	10
Athens	10	Manchester	10
Barcelona	10	Montpellier	10
Belfast	10	Munich	10
Berlin	10	Nice	10
Birmingham	10	Paris	10
Bristol	10	Porto	10
Buenos Aires	10	Reims	10
Cardiff	10	Rome	10
Edinburgh	10	Seville	10
Glasgow	10	Stuttgart	10
London	10	Toronto	10
Luxembourg	10	Zurich	10

## Crude calculations for oil shares



It's not often that a strike strengthens share prices, but that is what has happened in the oil sector since the curtailment of Iranian production at the end of last month. The firming has, however, been only in relative terms—the FT-Actuaries oils index has held steady since October 30, while the All-Share has dropped almost 3 per cent. And the news yesterday was that the strike is apparently coming to an end. Does this make the sector vulnerable again?

The answer partly depends on how quickly Iranian output can be pushed back up to normal. Quite apart from the political question of whether the oilfield workers will actually now run the plant efficiently, it is bound to take a number of weeks to get the non-producing wells back to full output. Last week, the Western oil company consortium which produces most of Iran's oil, Iran Oil Participants, reported that output had been averaging 1.5m barrels a day in November against a normal daily average of 5m b.d. or so.

A good indication of whether the tide has actually turned. Some analysts have upgraded their net income forecasts to the region of \$350m before the FAS 8 adjustment, significantly ahead of recent quarters, on the view that downstream margins have improved. The threatened rise in the OPEC crude price could cut margins again (though producing some temporary stock profits), but not if the supply/demand balance remains upset by problems in Iran. And for BP, at least, a large rise in the oil price would be clearly bullish, given the impact on the profitability of its Alaskan and North Sea production operations.

Crude prices

A substantial production gap will remain for the time being, during a crucial period ahead of the OPEC meeting next month to discuss a crude oil price rise. The rush by oil companies to stock up, at the very time at which Iranian supplies are running short, has led to a sharp rise in spot prices, with market crude for instance selling for something like \$14 instead of the official \$12.70 per barrel. In the North Sea, spot Ekofisk crude now fetches around \$15 a barrel.

Similar movements have been taking place in some product prices. A star performer here is gasoline, for which demand in Europe has risen something like 5 per cent over the past year. Retail prices have been climbing on the Continent, and the latest attempt by the majors to reduce retail discounts on gasoline in the UK looks much more likely to succeed than earlier efforts.

With Rotterdam prices up sharply, the independents no longer have access to cheap supplies and the competitive power has returned to the majors. On the other hand, at the heavier, fuel oil end of the barrel there remains a serious glut, and the picture in petrochemicals is indifferent.

The third quarter results from the Royal Dutch/Shell Group on Thursday will provide

to the authorities, who would like to disband the lifeboat, still providing UDT with its funds. The banks in particular, are irritated by the fact that they are still being required to support a business which is aggressively competing with their own finance house subsidiaries, especially now that the correct is limiting their own lending. As one competitor puts it: "UDT is effectively getting five per cent more at their own rates."

Obviously, UDT is having to pay a premium for its support money, but it is a guaranteed source and one of the reasons for its survival. UDT is not trying hard enough to ensure its dependence on the lifeboat. After all it could be prepared to cut back the business by a third. But UDT's intent on remaining a major force in the field and the authorities appear to support the idea of an independent major finance house. UDT would have been a long time ago in the competitive instant credit business, but it is still there.

So where does this leave UDT? It has just about out of its loss making operations and made a good deal of headway in reducing its property involvement. However, it is not yet earning enough to pay a dividend to its ordinary shareholders. In addition, the comparison with the only other similar large independent finance house, Lloyds and Scott, is undercapitalised. If it were to observe the same business rates as Lloyds and Scott, for example, it would need to raise its shareholdings from around £40m—which is roughly equivalent to UDT's current market capitalisation.

Its profitability is the one factor which enables it to improve its position, so it is unable to raise its business to raise its shareholdings. The fall in its share price from 38p to 28p in September and 59p last year, under the waning of takeover hopes as well as the recent approach of credit squeeze, has been a practical solution, as with Mercantile Credit, would certainly appear to be a clearing bank, but that, with a finance house of this size, the Monopolies Commission could stand idly by.

UDT's vicious circle

The recent steep rise in interest rates must come as a bitter blow to Britain's finance houses and, in particular, to the second largest—United Dominions Trust. UDT has been supported by the Bank of England, "lifeboat" for nearly five years now and just as there seemed to be some light at the end of the tunnel, interest rates have been jacked up to levels which will badly dent the profitability of its fixed rate lending and further delay its full recovery.

Indeed, UDT is becoming an increasing embarrassment both

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طريقه العمل

## Computers 'will lift jobless total to 2.5m'

BY MAX WILKINSON

INTRODUCTION of new computing techniques is likely to raise unemployment in the UK to 2.5m or 3.5m says a confidential report commissioned by the Department of Industry.

The report, which has not been published, also strongly criticises the Government's failure to draw up an adequate policy for the computing, telecommunications and electronic industries.

It says there is a grave risk that more vigorous and better integrated policies for the sector in other countries, including Japan, France and West Germany, will lead to the UK being overtaken. This could result in a loss of jobs even worse than that to be expected in any case from increased computer-based automation.

pages, was commissioned by the Department of Industry's Computers, Systems and Electronics Requirements Board from Professor Iann Barron, of Westfield College, London, and Mr. Ray Currow, of the Science Policy Research Unit at Sussex University. It is called "The Future of Information Technology."

Mr. Barron has recently become one of the founders of Imbus, the National Enterprise Board's micro-electronics subsidiary.

The report says that on the basis of its analysis, "we are contemplating levels of unemployment of 10 per cent to 15 per cent of the workforce." "Such a level is roughly that of the peak of the 1930s depression, but with the difference that today's society is more highly organised."

It says that in a wide range of industries jobs will be lost as a result of the spread of computers, particularly micro-computers. It adds: "It is hard to envisage new products and more general electronic capital goods, which are of sufficient volume and value to absorb the labour displacement put forward in the report, at least in the same time-scale."

According to the report, the types of labour under the greatest threat are assembly workers, repair and maintenance workers, people with low clerical skills, and even highly skilled clerical workers who rely on rote memory. The report adds: "Obviously lack of competitiveness in a UK firm compared with an overseas competitor in an open market would affect all categories of labour."

The main criticism of the Department of Industry centres on what the report describes as a failure to understand the consequences of the convergence of telecommunications, computing and more general electronic techniques. The report says all these sectors are becoming part of a single "information technology."

"The reduction in cost of this technology means that its use will be pervasive, extending its reach throughout commerce and industry with far greater impact on the individual than has been the case in the past."

A new policy is needed, the report says, not merely to co-ordinate activities in the three aspects of information technology, but also to ensure that they are properly integrated and that arbitrary barriers are removed. phone exchange system.

One of the practical consequences it suggests should be an important change in the role of the Post Office. As the major force in telecommunications, it should be more closely integrated with a national electronics industry.

The report is strongly critical of the Post Office's slowness in developing computer-based techniques in telecommunications. It says the Post Office failed to exploit a world lead which its laboratories obtained in "packet switching" techniques for enabling computers to communicate with each other.

It also expresses doubt about the Post Office's ability to carry through its present programme for the development of System X, its new computer-controlled telecommunications system.